

**CONFIDENTIAL**

**FRAMEWORK AGREEMENT**

**BETWEEN**

**HER MAJESTY THE QUEEN IN RIGHT OF  
THE PROVINCE OF BRITISH COLUMBIA**

**AND**

**CARBON OFFSET AGGREGATION COOPERATIVE OF BRITISH COLUMBIA  
COAC**

**MAY 1, 2013**

## FRAMEWORK AGREEMENT

THIS AGREEMENT made as of the 1<sup>st</sup> day of May, 01 2013

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE  
PROVINCE OF BRITISH COLUMBIA, as represented by the  
Minister of Forests, Lands and Natural Resource Operations,

(the "Province")

-and-

CARBON OFFSET AGGREGATION COOPERATIVE OF  
BRITISH COLUMBIA, a cooperative association incorporated  
under the laws of British Columbia

("COAC")

## BACKGROUND

WHEREAS:

- A. The Minister of Forests, Lands and Natural Resource Operations (the "Minister") is responsible for managing, protecting and conserving the forest resources of the Province and COAC has expressed to the Minister an interest in restoring certain Crown Land at no cost to the Province;
- B. The Minister supports COAC undertaking reforestation, silvicultural, forestry and related activities that will increase the amount of carbon removed from the atmosphere and sequestered in biota and soils; and
- C. The Parties both wish to enter this Agreement for the following objectives:
  - (i) to advance the Province's forest carbon partnership program and sustainable forest management strategy;
  - (ii) to promote sound Forest Stewardship;
  - (iii) to enhance the opportunity for the creation of Offset Credits in British Columbia;
  - (iv) to demonstrate the effectiveness of tools developed in British Columbia for mitigating climate change, including where possible the application of British Columbia's Forest Carbon Offset Protocol;

- (v) allowing COAC to provide opportunities for First Nations and aboriginal people to help deliver Project Activities and restore forest health in areas affected by mountain pine beetle; and
- (vi) encouraging and promoting practices and strategies that are innovative, creative and professional.

**NOW THEREFORE** in consideration of the covenants and agreements herein contained, the Parties agree as follows:

## ARTICLE 1 DEFINITIONS AND INTERPRETATION

### 1.1 Definitions. In this Agreement:

**"Agreement"** means this Agreement between the Parties, including any Schedules to this Agreement as may be amended, supplemented, or restated from time to time;

**"Applicable Laws"** means in respect of any person, property, transaction or event, all applicable laws, statutes, ordinances, rules, by-laws, guidelines, protocols, treaties and regulations, and all applicable directives, orders, judgments, injunctions, awards and decrees of any governmental authority;

**"Baseline Scenario Emissions and Removals"** means the GHG emissions to the atmosphere and removals of GHGs from the atmosphere that would occur in the absence of planting, fertilization, thinning, or other active silvicultural or forest management treatments on the Project Land, and for greater certainty:

- (a) includes removals of GHGs that would occur as a result of natural regeneration and natural growth of naturally regenerated Project Trees or Project Trees that existed prior to Project Tenure,
- (b) does not include removals of GHGs that occur from regeneration or growth of existing trees to the extent the removals have been increased by activities of COAC;

**"Crown Timber"** means timber on Crown land, or timber reserved to the Province;

**"Crown Land"** means land or an interest in land, vested in the Province;

**"Effective Date"** means the date referenced at the beginning of this Agreement;

**"Expiry Date"** means the 30<sup>th</sup> anniversary of the Effective Date or such later date specified under section 2.2 or 2.3;

**"First Nations"** means a band as defined by the federal *Indian Act* or another organized community of aboriginal people;

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**"Forest Stewardship"** means the responsible use of forest resources based on the application of an ecological understanding at the stand, forest and landscape levels which maintains and protects ecosystem function, integrity and resilience;

**"FCOP"** means the Protocol for the Creation of Forest Carbon Offsets in British Columbia, version 1.0, or such other protocols which the Province, acting reasonably, designates as applicable, for the purpose of measuring GHG Reductions under this Agreement;

**"GHG"** means carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride;

**"GHG Reduction"** means the incremental reduction in atmospheric GHG concentrations resulting from COAC carrying out the Project Activities on Project Lands as measured relative to Baseline Scenario Emissions and Removals using FCOP;

**"GHG Removals"** means removals of carbon dioxide from the atmosphere and sequestration of carbon in biota and soils;

**"GHG Reduction Rights"** means all rights, benefits, title and interest in and to, arising out of or in connection with, or resulting from, GHG Reductions, including:

- (a) the sole right to claim title to, interest in, the benefit of and responsibility for such GHG Reductions;
- (b) the sole right to register, certify or otherwise include such GHG Reductions in any Registry;
- (c) the sole right to convert those GHG Reductions into an Offset Credit, and the sole right to apply for or seek the issuance of such credits, allowances or other rights to discharge GHGs in connection with such GHG Reductions; and
- (d) the sole right to hold, use, trade, bank, retire, transfer, assign or otherwise deal with those GHG Reductions or any Offset Credits or other credits or allowances into which such GHG Reductions are or could be converted;

**"Offset Credit"** means any credit, allowance, right to discharge GHGs or other tradable instrument issued by a governmental authority or Program Authority for GHG emission reductions that may be applied towards compliance with any obligation or commitment, whether voluntary or imposed by Applicable Laws, to reduce GHGs;

**"Parties"** means the Province and COAC, and **"Party"** means either one of them;

**"Program Authority"** means a domestic, international or foreign non-governmental GHG Reductions or reporting program, scheme or organization that certifies or otherwise establishes independent standards for the reporting, registration, acceptance or eligibility of GHG Reductions and Offset Credits;

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**"Project Activities"** means silvicultural, forestry or improved forest management activities that the Licensee is permitted or required to carry out on the Land under this Agreement including but not limited to Reforestation, fertilization, brushing and thinning;

**"Project Lands"** means those Crown lands that are, at any relevant time, subject to a Project Tenure;

**"Project Parcel"** means an area of contiguous Project Lands;

**"Project Tenure"** means a license of occupation, special use permit or other land tenure granted from the Province to COAC that allows COAC to carry out Carbon Offset Program on land covered by the tenure and specifically states that this Agreement applies in respect of GHG Reductions occurring as a result of the Carbon Offset Program;

**"Project Tenure Term"** means the term during which a Project Tenure is effective;

**"Project Trees"** means the trees on the Project Lands which COAC has planted, fertilized or otherwise caused to remove increased amounts of carbon dioxide from the atmosphere through the carrying out of the Carbon Offset Program;

**"Reforest" or "Reforestation"** means the re-establishment of trees on land through planting, seeding and/or human induced promotion of natural seed sources;

**"Registry"** means a registry evidencing the origination and ownership of GHG reductions or removals or Offset Credits;

**"Retire"** means placement of Offset Credits that have not been used to meet a regulatory requirement or voluntary commitment or obligation into an account on a Registry where they cannot be subsequently used to meet any regulatory or voluntary commitment or obligation;

**"Reversal"** means, in relation to a GHG Reduction, emissions to the atmosphere of carbon previously sequestered in biota or soils as a result of that GHG Reduction;

**"Term"** means the term set out in section 2.1, subject to any renewals or replacements agreements as set out in this Agreement.

1.2 **Other Definitions.** Other terms used in this Agreement and the Schedules are defined where they first appear and have the respective meanings indicated therein.

1.3 **Interpretation.** In this Agreement:

- (a) words which are in the plural include the singular and vice versa and words importing gender include all genders;
- (b) the word "including", when following any general statement, will be construed as if it were followed by the phrase "without limiting the generality of the foregoing";

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- (c) any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto, with all amendments thereto and in force from time to time, and to any statutes or regulations that may be passed which have the effect of supplementing or superseding such statutes or regulations;
- (d) defined terms in section 1.1 which are in the plural include the singular and vice versa, and use of any term is generally applicable to either gender and where applicable, a body corporate or other entity;
- (e) all references to currency are to Canadian dollars unless otherwise specified;
- (f) all references to a specified "Article", "section", "subsection", "paragraph" or other subdivision or to a Schedule shall be construed as references to that specified Article, section, subsection, paragraph or other subdivision of, or Schedule to this Agreement;
- (g) the insertion of headings is for convenience of reference only and is not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof; and
- (h) the Parties have been represented by legal counsel during the negotiation of this Agreement. As a result, the Parties believe the presumption of any laws or rules relating to the interpretation of contracts against the drafter thereof should not apply, and hereby waive any such presumption.

## ARTICLE 2 TERM AND TERMINATION

2.1 **Term.** The term of this Agreement begins on the Effective Date, and ends at the earlier of:

- (a) the Expiry Date;
- (b) termination in accordance with section 2.5 or 2.6 below.

2.2 **Renewal.** By written request COAC may, within six months following the 29<sup>th</sup>, 54<sup>th</sup> and 79<sup>th</sup> anniversary of the Effective Date, request an extension of the Agreement for another 26 years after the said anniversary, and upon such request, if COAC is in material compliance with all its obligations under this Agreement and any Project Tenures, the Province must, at its option, either:

- (a) offer to amend this Agreement to expire on the proposed Expiry Date, or
- (b) offer a replacement agreement.

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The Province's obligation to COAC under this section will cease if the form of agreement the Province delivers to COAC under paragraphs (a) or (b) is not executed and returned to the Province within 60 days of the date of delivery.

**2.3 Replacement Agreements.** Any replacement agreement must be on terms that are substantially the same as this Agreement, except that replacement agreements are not required to:

- (a) include obligations similar to those in Article 3, or
- (b) provide for an extension of the Expiry Date or renewals beyond 105 years from the Effective Date of this original Agreement.

**2.4 Definitions in Relation to Termination.** In this section and section 2.5:

- (a) "Event of Default" means any of the following:
  - (i) an Insolvency Event, or
  - (ii) COAC fails to perform any of its material obligations under this Agreement or a Project Tenure,
  - (iii) any representation or warranty made by COAC in this Agreement is untrue or incorrect;
- (b) "Insolvency Event" means any of the following:
  - (i) COAC becomes insolvent or makes an assignment for the general benefit of its creditors;
  - (ii) COAC commits an act which entitles a person to take action under the *Bankruptcy and Insolvency Act* (Canada) or a bankruptcy petition is filed or presented against it or its consent to the filing of the petition or a decree is entered by a court of competent jurisdiction adjudging it bankrupt under any law relating to bankruptcy or insolvency;
  - (iii) COAC voluntarily enters into an arrangement with its creditors;
  - (iv) a receiver or receiver-manager is appointed to administer or carry on COAC's business; or
  - (v) an order is made, a resolution passed or a petition filed for the liquidation or winding up of COAC.

**2.5 Termination for Default.** On the happening of an Event of Default, or at any time thereafter, the Province may, at its option, elect to do any one or more of the following:

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- (a) by written notice to COAC, require that the Event of Default be remedied within a reasonable time period as specified in the notice;
- (b) pursue any remedy or take any other action available to it at law or in equity; or
- (c) by written notice to COAC, terminate this Agreement with immediate effect or on a future date specified in the notice, subject to the expiration of any time period specified under section 2.5 (a).

**2.6 Termination Where no Project Tenure.** Either Party may terminate this agreement on 30 days notice if:

- (a) after the second anniversary of the Effective Date, no Project Tenures have been issued by the Province; or
- (b) all Project Tenures have expired or been terminated in accordance with their terms.

**2.7 Effect of Termination.** Termination of this Agreement will not affect any liabilities or obligations of either Party arising before such termination or out of the events causing such termination. Notwithstanding the foregoing, the Province will reimburse COAC for expenses in the event that the Province does not issue any Project Tenures and then elects to terminate this Agreement.

**2.8 Survival.** The following terms of this Agreement survive termination: Articles 1, 10 and 12 and Sections 2.7, 2.8, 5.2, 5.3, 5.4, 5.6 and 6.1.

**ARTICLE 3  
IDENTIFICATION OF PROJECT TENURES & SILVICULTURAL  
RESPONSIBILITIES**

**3.1 Provincial Identification of Potential Project Tenure.** For the purposes of providing COAC with Project Tenure, the Province will:

- a) by May 28, 2013, identify at least 100 hectares, and
- b) by October 1, 2015, identify an additional 1000 hectares

of Crown Land

- (c) as potential sites for Project Activities,
- (d) that is not be subject to any existing obligation of the Province or a third party to establish free growing trees,

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- (e) that is not subject to any tenure under the *Land Act* or *Forest Act* which would potentially conflict with the continued use of the area for forestry purposes,

and, the Province will recommend that COAC apply for Project Tenure on the identified areas and will recommend the terms and conditions of such tenures which will include silvicultural and forestry activities that COAC is permitted to undertake on the proposed tenure area and, may include, without limitation:

- (f) the form of tenure;
- (g) mandatory requirements for COAC to undertake Project Activities in respect of the area within timeframes established by the Province;
- (h) rights of the Province to unilaterally delete areas of Project Land from the Project Tenure if COAC fails to provide minimum levels of Project Activities within establish timeframes;
- (i) restrictions on activities that COAC may undertake under the Project Tenure;
- (j) exclusions of liability or compensation for interference with Project Lands and Project Trees beyond obligations contained in Article 7.
- (k) any other terms and conditions generally consistent with the Province's standard term and conditions for the relevant form of tenure.

**3.2 COAC Identification of Potential Project Tenure.** COAC may assist the Province in identifying Crown Land under section 3.1 by identifying Crown Land that in its opinion is suitable for Project Tenure, and the Province will give COAC an opportunity to comment on recommended Project Tenure areas and terms and conditions for Project Tenures.

**3.3 COAC Application for Crown Land Authorization.** COAC will

- (a) within 4 weeks of the Province making recommendations under section 3.1(a), apply for Project Tenure, with the recommended terms and conditions, on at least 100 hectares of the areas identified by the Province,
- (b) by December 31, 2015 apply for Project Tenure, with the recommended terms and conditions, on at least 1000 hectares of the areas identified by the Province under section 3.1(b).

**3.4 Recommendation of Project Tenure.** The Province will recommend to the statutory decision makers empowered to grant the recommended Project Tenures, that Project Tenure be granted to COAC on the recommended terms and conditions. Nothing in this section is intended to fetter the discretion of such statutory decision makers.

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- 3.5 **Contractors.** COAC may, in its sole discretion, retain qualified contractors (the "Contractors") for any expertise or additional resources it may need from time to time to carry out the Project Activities under this Agreement.
- 3.6 **Responsibilities Regarding First Nations.** The Parties acknowledge that the duty to consult and accommodate First Nations rests with the Province, and the Province will be the lead contact with First Nations in relation to the issuance of Project Tenures, this Agreement and related matters. The Province will support the development of a working relationship between First Nations and COAC. For the purposes of this Agreement, the Province will identify the First Nations that may be potentially affected by the Project and COAC will then be the lead contact with First Nations with regard to opportunities for First Nations and aboriginal people to help deliver Project Activities.

#### ARTICLE 4 COVENANTS

- 4.1 **Covenants of COAC.** COAC covenants that:
- (a) it will and will cause its contractors to perform all Project Activities diligently and in a professional manner using qualified and experienced individuals;
  - (b) it will comply with all laws of British Columbia and Canada governing the performance of the Project Activities and the use or occupation of the Project Lands;
  - (c) it will comply with the provisions of this Agreement and Project Tenures;
  - (d) it will use the Project Lands only in accordance with this Agreement and for the purposes of carrying out Project Activities; and
  - (e) it will not interfere with public access in or to the Project Lands or interfere with the activities or operations of the Province or any other person on the Project Lands.
- 4.2 **Covenants of Province.** The Province covenants that it will notify COAC within a reasonable time of any proposed change in use of Project Lands, or any authorization granted by the Province that would significantly affect the present or future amount of carbon sequestered on the Project Lands.

#### ARTICLE 5 OWNERSHIP OF GHG REDUCTIONS

- 5.1 **Ownership.** If during the Project Tenure Term applicable to Project Land on which Project Activities have been provided by COAC, GHG Reductions occur as a result of Project Activities, subject to this Agreement, COAC will acquire the legal and

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beneficial ownership of any such GHG Reductions and the resulting GHG Reduction Rights that would otherwise be the property of the Province.

**5.2 Effect of Termination on Ownership of GHG Reductions.** Neither termination of this Agreement nor removal of lands from Project Tenures will affect:

- (a) ownership of GHG Reductions that have previously occurred as a result of forest growth on Project Tenures while both those tenures and this Agreement are in effect,
- (b) GHG Reduction Rights in relation to GHG Reductions described in paragraph (a).

For greater certainty, COAC will not obtain ownership of GHG Reductions or resulting GHG Reduction Rights in relation to GHG Reductions occurring after termination regardless of whether those reductions result from the carrying out of Project Activities.

**5.3 No Warranty.** COAC acknowledges that:

- (a) in entering into this Agreement the Province makes no representations or warranties that this Agreement will be effective as against any third party who may claim ownership of the Reductions or GHG Reduction Rights;
- (b) COAC's right to convert GHG Reductions into Offset Credits is subject to the requirements of the applicable program under which the Offset Credit is issued and this Agreement does not obligate the Province or any other person to issue or allocate Offset Credits to the COAC in respect of the GHG Reductions.

**5.4 Inventory.** Nothing in this Agreement prohibits the Province from reporting GHG Removals from forest land in British Columbia in a manner that does not account for COAC's ownership of GHG Reductions, provided that the Province does not claim to own the GHG Reductions resulting from those removals.

**5.5 Other GHG Sequestration Projects on the Project Land.** The Province will not grant or permit any other person to have ownership of greenhouse gas reductions or entitlement to claim Offset Credits occurring as a result of carbon sequestration on Project Land that is incremental to the Baseline Scenario Emissions and Removals.

**5.6 Limitation on Rights.** For greater certainty, legal and beneficial ownership to GHG Reductions and the resulting GHG Reduction Rights obtained by COAC under this Agreement does not provide the beneficial or legal holder of such rights with any rights to claim against the Province in relation to acts or omissions of the Province causing reductions to the amount of GHG Reductions that occur during the Project Tenure Term, or causing Reversals of such GHG Reductions, except that COAC may maintain an action against the Province for breach of its obligations under Article 7.

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**ARTICLE 6  
OWNERSHIP OF TREES**

- 6.1 Ownership of Trees.** Subject to section 5.1, COAC acknowledges that the Province is the legal and beneficial owner of the Project Lands and Project Trees, and without limiting the application of Article 7, nothing in this Agreement restricts the Province in its management, including harvesting, of the Project Land or Project Trees. Upon the reasonable request of the Province provided with reasonable notice, COAC shall do, sign and deliver to the Province, or cause to be done or signed and delivered to the Province, all further acts, deeds, things, documents and assurances required to give effect to this section. Notwithstanding the foregoing, the Province will reimburse COAC for expenses incurred in respect of Project Lands and Project Trees that the Province determines should be removed from a Project.

**ARTICLE 7  
PERMANENCE**

- 7.1 Responsibility for Forest Health and Growth.** Except as provided by this Article, the Province is not responsible to ensure the continued existence, growth or health of the Project Trees or continued sequestration of carbon on the Project Land or other non-atmospheric reservoirs and will not be liable to COAC or any person for the reduced growth, destruction, death or removal of the Project Trees, except as provided in this Article. Without limiting the generality of the foregoing, the Province shall not have a duty to fight fires, manage or control insect infestation or otherwise take any other action in respect of any threat of harm or destruction to the Project Trees or sequestered carbon. Without limiting the foregoing, the Province acknowledges that in relation to allocation of wildfire and forest health management resources and decision making related to wildfire and forest health it intends to treat Project Lands consistent with similar forests in like circumstances.

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**7.2 Replacement Project Land if conflicting activities authorized prior to Project Activities.** If prior to COAC carrying out any Project Activities on an area of Project Land, the Province either:

- (a) terminates the Project Tenure for that land, except for cause as set out in the Project Tenure, or removes that land from the Project Tenure, except as contemplated by the Project Tenure, or
- (b) authorizes, carries out, or announces its intention to carry out any activity that
  - (i) can reasonably be expected to either make Project Land unsuitable for the purposes of Project Activities, or
  - (ii) would reduce the amount of GHG Reductions that would occur on that land if Project Activities were carried out,

the Province will notify COAC and, if requested by COAC in writing, identify Crown Land suitable as replacement Project Land.

**7.3 Compensation for Reductions in GHG Reductions Caused by Province.**

Subject to section 7.4, 7.6 and 7.8, if after COAC carries out any Project Activities on an area of Project Land,

- (a) the Province authorizes or carries out any activity that
  - (i) causes carbon sequestered on the Project Land as a result of the Project to be released into the atmosphere, or
  - (ii) reduces the amount of GHG Reductions that occur during the Project Tenure Term applicable to the Project Land on which those activities occur, and
- (b) as a result Offset Credits obtained by COAC are no longer valid or no longer represent GHG Reductions, or COAC is unable to obtain Offset Credits that it would otherwise be able to obtain

the Province will, on written request of COAC, either:

- (c) Retire an amount of Offset Credits
- (d) undertake a project that in the opinion of the Province would not otherwise occur that the Province reasonably anticipates will generate greenhouse gas reductions equal to the

number of Offset Credits that are no longer valid, no longer represent GHG Reductions or which COAC is unable to obtain. For greater certainty,

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- (e) where the effect of the activity allowed or carried out by the Province is to reduce the future amount of GHG Reductions that will occur during the applicable Project Tenure, the Province is only required to Retire Offset Credits at the same time as GHG Reductions would have occurred in the absence of the activity, and
- (f) the Province is only required to Retire Offset Credits under paragraph (c) or undertake projects under paragraph (d) if both the activities described in paragraph (a) and the release of sequestered carbon or reduction in GHG Reductions, occur during the Project Tenure Term applicable to the Project Land on which the activities described in paragraph (a) occurred.

The Province will Retire Offset Credits that it considers comparable to the credits COAC has or would have obtained.

**7.4 Forest Health and Safety.** The Province is not responsible under section 7.3 for:

- (a) any activities that the Province deems necessary for purposes of preventing or fighting forest fires, maintaining forest health, or protecting public health and safety.;
- (b) salvaging Project Trees affected by a forest health or other natural disturbance.

**7.5 Harvesting.** The Parties acknowledge that harvesting is expected to occur on the Project Lands as part of a sustainable forest management plan, and that harvesting of a portion of the lands over time is expected to contribute to the diversity of age classes and lower risk of natural reversal on the Project Lands.

**7.6 Compensation for Harvesting.** The Province is not responsible to Retire Offset Credits under section 7.3 if it authorizes or carries out any

- (a) harvesting of Project Trees,
- (b) silviculture, including thinning, brushing, spacing, pruning, in relation to the Project Lands,
- (c) construction of roads, trails or landings for the purpose of accessing Project Trees,

provided that any such activities do not cause a reduction in the total amount of carbon sequestered on the Project Parcel on which those activities occur as measured from the start of such activities to the fifth year anniversary of such start of activities.

**7.7 Alienation of Project Land by the Province.** If after COAC carries out any Project Activities on an area of Project Land, the Province terminates the Project Tenure for that land, other than termination in accordance with the Project Tenure, or grants a property interest in the Project Land that gives the holder of that interest the right to ownership of GHG reductions on the Land, or removes

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that land from the Project Tenure, except as contemplated by the Project Tenure, the Province will on written request of COAC, Retire an amount of Offset Credits equal to the number of Offset Credits that COAC is unable to obtain as a result of the termination or removal. For greater certainty,

- (a) the Province is only required to Retire Offset Credits at the same time as GHG Reductions would have occurred in the absence of the termination or removal, and
- (b) the Province will Retire Offset Credits that it considers equivalent to the credits COAC has or would have obtained.

**7.8 No Compensation where compensation is otherwise payable.** The Province is not required to take action under section 7.3(c) or (d) if interference with the Project is caused by a third party holding rights to use the land who is required by law to compensate holders of tenures in the form of the relevant Project Tenure for interference with those holders' interest. COAC acknowledges that retirement of offsets by a third party in a manner and number consistent with section 7.3 fully mitigates any harm to COAC's interest.

## ARTICLE 8 REPRESENTATIONS AND WARRANTIES

**8.1 Representations and Warranties of COAC.** COAC represents and warrants that, as of the date hereof:

- (a) it is a cooperative association duly incorporated, validly existing and is in good standing under the laws of British Columbia;
- (b) it has all necessary corporate power and authority to carry on its business as presently conducted and as it will be conducted pursuant to this Agreement;
- (c) it has all necessary corporate power and authority to enter into this Agreement and to perform its obligations hereunder, and the execution and delivery of this Agreement has been duly authorized by all necessary corporate actions on its part; and
- (d) this Agreement constitutes a legal, valid and binding obligation of COAC, enforceable against it in connection with its terms.

## ARTICLE 9 CONFIDENTIALITY

**9.1 Mutual Confidentiality.** Each Party will take all prudent measures to ensure that any information, documents, reports or other material provided by it to the other

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Party pursuant to or in connection with this Agreement is treated as confidential and is not disclosed to any person except:

- (a) as may be required by law;
- (b) where such information becomes generally known or available in the public domain, without a breach of this Agreement; or
- (c) as otherwise consented to in advance by the other Party.

- 9.2 **Public Announcement.** Any public announcement that either one of the parties may make about the entering into or the existence of this Agreement, or its related terms and conditions, must be developed jointly by the Parties and agreed to in advance by both Parties before such public announcement is made.

## ARTICLE 10 DISPUTE RESOLUTION

- 10.1 **General.** Any dispute or controversy between the Parties with respect to the interpretation or application of any provision of this Agreement, including the performance by either Party of their respective obligations will be resolved pursuant to the following staged dispute resolution procedure:

- (a) first, through good faith discussions with identified senior representatives of each of COAC and the Province;
- (b) second, if the dispute is not resolved through collaborative negotiation within 15 business days of the dispute arising, by mediation under the rules of the British Columbia Mediator Roster Society. The parties agree to proceed with the mediation in as timely a manner as in reasonably possible; and
- (c) thirdly, the matter in dispute will be referred to a single arbitrator under the *Commercial Arbitration Act* whose decision thereon will be final, binding and conclusive. The place of the arbitration will be Prince George, British Columbia. A decision of an arbitrator under this Agreement, including any decision as to costs, will be final and binding on the parties.

- 10.2 **Continued Performance Obligations.** Each Party agrees to continue performing its obligations under this Agreement while any dispute is being resolved unless and until such obligations are terminated by the termination or expiration of this Agreement.

## ARTICLE 11 ASSIGNMENT

- 11.1 **Assignment.** COAC shall not assign, mortgage or transfer this Agreement, or permit any person to use or occupy the Project Lands, without the prior written consent of the Province, which consent we may, in our sole discretion, withhold. For the purpose of this section, a change in control (as such term is defined in the *Business*

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*Corporations Act* (British Columbia)) of COAC will be deemed to be a transfer of this Agreement.

**ARTICLE 12  
GENERAL**

- 12.1 Notices.** Any demand, notice or other communication given in respect of this Agreement will be in writing and delivered as follows:

To the Province:

MINISTRY OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS  
Competitiveness and Innovation Branch  
PO Box 9515 STN PROV GOVT  
2nd Floor 1520 Blanshard Street  
Victoria BC  
V8W9C2  
CANADA

Attention: Manager, Climate Change and Forest Carbon

To COAC:

Carbon Offset Aggregation Cooperative of British Columbia  
#100 – 2666 Queensway Street  
Prince George, BC  
V2L 1N2  
CANADA

Attention: President

Any such notice if sent by facsimile or other similar form of communication shall be deemed to have been received by the addressee on the first business day following the day on which the notice was so sent. Any party to this Agreement may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

- 12.2 No Waiver.** No failure or delay on the part of either Party in exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
- 12.3 Further Assurances; Consents and Approvals.** Each Party shall provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to give effect to this Agreement and to carry out its provisions. Whenever this Agreement requires or contemplates any action, consent or approval, such Party shall act reasonably and in good faith and (unless the Agreement expressly allows exercise of a Party's sole discretion) shall not unreasonably withhold or delay such action, consent or approval.

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Initials Province [Signature]



- 12.4 **Severability.** Any provision in this Agreement which is prohibited or unenforceable will be ineffective, to the extent of such prohibition or unenforceability, without invalidating the remaining provisions of this Agreement.
- 12.5 **Entire Agreement.** With the exception of any agreements in writing between the Parties dated after the date of this Agreement and Project Tenures, this Agreement constitutes the entire agreement and understanding of the Parties pertaining to the subject matter of this Agreement and supersedes all prior agreements and understandings between them with respect thereto and there are no oral or written agreements, promises, warranties, guarantees, terms, conditions, representations or collateral agreements whatsoever, express or implied, other than those contained in or contemplated by this Agreement.
- 12.6 **Governing Law.** This Agreement and all matters arising hereunder will be governed by and construed in accordance with the laws of British Columbia, which will be deemed to be the proper law hereof.
- 12.7 **Counterparts.** This Agreement may be executed and delivered in any number of counterparts and by telecopy, with the same effect as if the Parties had signed the same original document and will become effective when one or more counterparts have been signed by a Party and delivered to the other Party personally or by telecopy.
- 12.8 **Payment of Fees and Expenses.** Each Party will pay its own fees, expenses and disbursements incurred in connection with the negotiation and finalization of this Agreement.
- 12.9 **No Partnership, Joint Venture or Agency.** The Parties expressly disclaim any intention to create a partnership, joint venture or joint enterprise. It is understood, acknowledged and agreed that nothing contained in this Agreement nor any acts of the Parties will constitute or be deemed to constitute the Parties as partners, joint venturers or principal and agent in any way or for any purpose.
- 12.10 **No Fettering.** Nothing in this Agreement is to be construed as interfering with, or fettering in any manner, the exercise by the Province or its agencies of any statutory, prerogative, executive or legislative power or duty.
- 12.11 **Review.** The Parties will no sooner than one year from the Effective Date, and no later than three years from the Effective Date, meet to review the operation of this Agreement and Project Tenures and consider the need for amendments to this Agreement and the tenures.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date noted on page 1 of this Agreement by their respective and duly authorized representatives.

SIGNED on behalf of HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA by the Minister of Forests, Lands and Natural Resource Operations or the minister's authorized representative:



Minister of Forests, Lands and Natural Resource Operations or the minister's authorized representative



Name of minister's authorized representative

#### CARBON OFFSET AGGREGATION COOPERATIVE OF BRITISH COLUMBIA

SIGNED on behalf of by its authorized signatory:



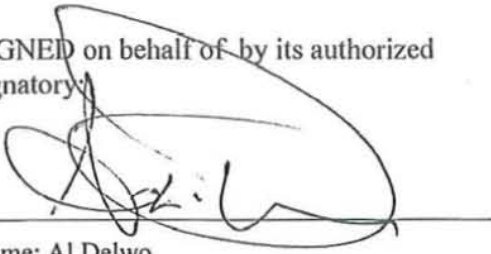
Name: MaryAnne Arcand

Title: Director

Initials COAC: 

Initials Province: 

SIGNED on behalf of by its authorized  
signatory:

A handwritten signature in black ink, appearing to be 'Al Delwo', is written over a horizontal line. The signature is stylized with a large loop at the beginning and a long horizontal stroke at the end.

Name: Al Delwo

Title: Director

Initials COAC 

Initials Province: \_\_\_\_\_