
Kraft Paper

General Terms and Conditions of Sale

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Specialty Paper Mill
A Division of Canadian Forest Products Ltd.

Canfor Pulp and Paper Marketing Ltd.
A Subsidiary of Canadian Forest Products Ltd.

GENERAL TERMS AND CONDITIONS OF SALE FOR KRAFT PAPER

INTRODUCTION

In the belief that it is of the utmost importance to our customers that they be fairly and consistently treated, we have developed the following Terms and Conditions of Sale which govern our sales of kraft paper.

In presenting these to you, our valued customer, we urge that you carefully review them and contact us for any clarification that you might require. In case you find any term or condition which does not apply to your area, please bring it to our attention.

We are convinced that the mutual understanding of a clear set of Terms and Conditions of Sale is to the benefit of both parties and is a vital part of our relationship.

1. GENERAL

The following terms and conditions shall apply to sales contracts (including supply agreements) unless otherwise specified in the current contract and agreed upon in writing.

2. SHIPMENT

Each shipment under a contract shall be considered as a separate contract and default on one or more shipments shall not invalidate the balance of the contract except as herein otherwise provided.

The seller shall have the right to ship from the mill before the time specified, but the buyer shall not be required to accept or pay for the goods earlier than if shipments were made from the mill as stipulated in the contract. The seller may route shipments and shall have the option to ship via any port (dock) or routing not named in the contract. If any such shipment is made in the case of offshore shipments, except in cases where the routing named in the contract is unavailable to the seller, a sum equal to the increase in inland transportation charges, if any, to the buyer's mill for which the goods were intended at the time of the making of the contract shall be allowed by the seller.

3. TARIFF

Contracts are based upon the tariff and/or tax laws existing at the time of signing and if by reason of any governmental action (federal, state or municipal) in the country of the buyer the cost to the seller or expense of delivery shall be increased, the purchase price specified in the contract shall be increased by an amount equal to the change in cost or expense of delivery occasioned thereby.

4. FORCE MAJEURE

For all purposes of contracts, the expression "Force Majeure" includes any Act of God, or any act of governmental agencies, war, mobilization, strike, lockout or other labour disturbance, drought, flood, total or partial fire, obstruction of navigation, strike at port of loading or discharge, or loss, damage or detention at sea, reduction, suspension or shutdown of operations, or any other contingency or cause beyond the control of the seller which prevents the manufacture and/or shipment and/or sea-transport of goods, or beyond the control of the buyer which prevents the manufacture or shipment of the converted paper product. The buyer or the seller, as the case may be, may suspend performance under the contract citing Force Majeure, neither party being responsible to the other party for any damage resulting from such suspension. The seller may at its option and without liability hereunder cancel such portion of the annual tonnage which as a direct consequence of a Force Majeure situation could not be manufactured by the seller at the seller's mill, and/or shipped to destination.

The buyer or the seller, as the case may be, shall give prompt notice to the other party of any Force Majeure situation which may, according to the previous section of this clause, affect the performance under the contract, and also when such Force Majeure situation ceases, and as soon as practicable, notify to what extent it will necessitate a suspension or cancellation of

tonnage. Shipments in transit from the seller's mill must be accepted by the buyer. When such suspension is concluded, subsequent shipments will be resumed according to the contract.

In case the seller's stock of paper is totally or partially destroyed, the seller is entitled to cancel such quantity which as a consequence cannot be delivered.

5. CREDIT

If at any time the buyer's creditworthiness shall become impaired or unsatisfactory, proof satisfactory to the seller of the buyer's creditworthiness shall be furnished forthwith or satisfactory security shall be given by the buyer on demand by the seller. Failing this, payment shall be made in cash; otherwise the seller shall have the right to decline to make further shipments or deliveries. Nothing in this Clause 5 contained shall affect the obligation of the buyer to accept and pay for the contracted merchandise.

If the buyer fails to make payments in accordance with Terms of Payment contained in the contract, the seller may forthwith cancel all further orders and terminate the contract. If the seller at its option continues to ship goods hereunder after a default in payment has occurred, the buyer shall forthwith upon request in writing by the seller, post adequate security to cover the value of all unshipped paper manufactured under the contract.

6. DOMICILE

The contract is executed in duplicate original and shall be governed in all respects by the laws of the place of the legal domicile of the seller.

7. ALTERATION OF CONTRACT

Any change or alteration in contracts, other than changes in price, delivery terms, or terms of payment, must be mutually agreed upon in writing.

8. CONDITIONS

(a) Weight or mass is expressed in metric tonnes (abbreviated MT) which means 1000 kilograms, or short tons (abbreviated st) which means 2000 pounds.

(b) Delivered quantity, when based on weight and expressed in metric tonnes, or short tons, is determined at the time of manufacture and after the goods are packed. The weight is determined gross for net. Area is expressed in square metres or square feet, which mean an area measuring one metre by one metre, or one foot by one foot, respectively. Delivered quantity, when based on area in square metres or square feet, is determined at the time of manufacture.

9. QUANTITY TOLERANCES

The contract shall be deemed to have been fulfilled if the seller delivers to the buyer a quantity of goods that does not deviate from the contracted quantity by more than the permitted deviation set out below. If there are two or more lots, as defined in clause 11(a), then the permitted deviation applies to each lot. Permitted deviations are:

<u>Contracted Quantity</u>	<u>Permitted Deviation</u>
Under 1 MT or st	+ or – 15.0%
1 MT or st but under 5 MT or st	+ or – 10.0%
5 MT or st but under 10 MT or st	+ or – 7.5%
10 MT or st but under 100 MT or st	+ or – 5.0%
100 MT or st and over	+ or – 3.0%

When shipments are by vessel, a margin of ten percent (10%), more or less, on the contract quantity of each lot is to be allowed for logistical convenience.

10. RISK OF LOSS TRANSFER

For shipments by land within North America, the risk of loss of the goods passes to the buyer when the Bill of Lading is received and deemed to be accepted by the carrier. For shipments by sea, the risk of loss of the goods passes to the buyer, or remains with the seller, according to the terms or sale as set out in Incoterms 2000. The quantity identified in transferring risk of loss to the buyer is the basis for payment by the buyer and for determining whether or not the contracted quantity has been delivered to the carrier. After the risk of loss has passed to the buyer, the buyer must recover any losses from the responsible party or the insurer.

11. QUALITY: GRAMMAGE TOLERANCES

(a) Interpretation of Terms

DELIVERY means the total amount of goods covered by one contract and delivered at one time.

LOT means one or more units of paper of a single kind and of specified characteristics, made by one and the same mill and delivered at one time.

UNIT means a reel, roll, pallet, parcel or other transportation package.

GRAMMAGE means the basis weight in grams per square metre of paper. Basis weight may be expressed in other units such as pounds per square foot. The units used for placing orders must be clearly defined.

ORDERED GRAMMAGE means the grammage specified in the contract.

ACTUAL GRAMMAGE of a lot of paper is the arithmetic mean of the grammage as determined by sampling, conditioning at 50% RH and 23°C, and testing the lot using procedures based on TECHNICAL ASSOCIATION of the PULP AND PAPER INDUSTRY (TAPPI), Pulp and Paper Technical Association of Canada (PAPTAC), INTERNATIONAL STANDARDS ORGANIZATION

(ISO), and internally developed procedures as outlined in our Quality Assurance Procedure Manual (registered to ISO9001).

TOLERANCE with respect to grammage means the allowed difference between ordered and actual grammage expressed in percent of ordered grammage.

(b) Stipulations

A lot of paper will be considered delivered correctly with regard to grammage when:

- I. the actual grammage in relation to the ordered grammage stays within the tolerances given below.
- II. the test values for individual units in relation to the ordered grammage stay within the tolerances given below for one MT or st.

If a delivery comprises two or more lots, the actual grammage of each lot must be determined separately.

<u>Weight of Lot in MT or st</u>	<u>Tolerance</u>
1 (minimum)	+ or - 7.0%
5	+ or - 5.1%
10	+ or - 4.4%
20	+ or - 3.8%
50	+ or - 3.2%
100	+ or - 2.8%
500	+ or - 2.0%
1000	+ or - 1.8%
3000	+ or - 1.4%

For lots of paper of intermediate magnitudes the tolerances are obtained by linear interpolation.

12. QUALITY: WIDTH OF REELS OR ROLLS, TOLERANCES

A delivery of paper shall be deemed to have been completed in accordance with the contract if a minimum of 95% of the delivered sizes differ from the contracted sizes by no more than stipulated below:

<u>Reels or Rolls (with trimmed edge)</u>	<u>Tolerance</u>
Less than 2000 millimetres (79 inches)	+ or - 3mm (1/8 inch)
2000 millimetres (79 inches) or over	+ or - 5mm (1/5 inch)

13. QUALITY: CLAIMS

(a) Claims Before and During Processing Goods

It shall be the responsibility of the buyer to check the quality of delivered goods before their processing. If the quality is not in accordance with the quality contracted for or if the buyer has reason to believe that the quality of the goods is such as to give rise to difficulties in processing,

then the buyer shall not allow processing to commence unless permission to do so has been received from the seller in writing or by electronic communication.

If the buyer should discover a defect in the goods during processing, the buyer shall immediately discontinue processing and give notice of such defect by electronic communication to the seller.

(b) Time Limits

A claim for defect in quality that is of such a nature that it can be ascertained from the seller's documents or from a sample provided by the seller, must be made by the buyer within seven (7) days of receipt of the documents or the sample by the buyer.

Claims in respect of other defects of quality can be made by the buyer:

- I. immediately, if the defect can be ascertained upon visual inspection of the goods or their packing
- II. as soon as the defect is discovered, but at latest within thirty (30) days in the event of the defect relating to grammage, size, colour, cleanliness, strength or other reason that can be determined through the taking of samples and
- III. as soon as the defect is discovered, but at the latest within three (3) months in the event that it has not been possible to find the defect through visual inspection or to determine it through the taking of samples. Prior to the taking and testing of samples which are intended to be in support of a claim, the seller must be given sufficient notice so that its representative(s) may be present during the sampling and testing procedures if the seller so chooses.

All periods of time shall be calculated from the time the goods are discharged at the place of destination.

(c) Arbitration

If the buyer has given notice of claim as required above and the parties are unable to reach agreement on settlement of the claim, the dispute shall be referred to an arbitrator agreed upon by the buyer and the seller. At least ninety percent (90%) of the goods in dispute shall then be made available to the seller unused and not unduly tampered with so that samples may be taken for the purpose of the arbitration irrespective of demands made by the buyer. If the buyer has rejected the goods, any claim of his relating to the goods may be upheld only as long as the above-mentioned proportion of the goods remains unused and has not been tampered with.

14. LIMITATION OF DAMAGES

If the buyer makes claims for damages as outlined in clauses 14(a) and 14(b) hereof, the buyer is to make payments equal to ninety percent (90%) of the payments for the shipment in accordance with the "Terms of Payment" contained in the contract.

(a) Defective Quality

If the buyer rejects the goods delivered for proven defective manufactured quality, or rejection is awarded by arbitrators, the seller shall without delay replace the defective goods. The seller shall reimburse the buyer for additional expense incurred for handling, storing, and insuring the

defective goods. If the defective quality does not result in rejection of the goods, the buyer shall pay the reduced value of the faulty goods and shall not be entitled to other compensation or damages.

(b) Short delivery

If the quantity delivered is proven to be less than the contracted amount, other than as provided for in clause 9, the seller shall without delay make good the shortage unless the shortage is acceptable to the buyer. Payment shall be made only for the exact quantity delivered.

(c) Liability Limits

The seller shall not be liable to the buyer for compensation or damages of any kind whatsoever because of the defect or shortage of product except as noted in clauses 14(a) and 14(b). The liability of either party shall not exceed the loss which could reasonably have been foreseen at the time of entering into the contract, nor shall it include any direct or indirect consequential or economic damages. In no case shall the damages exceed the invoiced value of the defective goods.

The seller's liability for personal injury and/or property damage (excluding any direct or indirect consequential or economic damages as indicated in the preceding paragraph) arising from the purchase, processing or use of products manufactured by the seller shall be limited to such damages that are proven to have resulted from the sole negligence of the seller or its directors, officers, or employees. The seller shall not be liable for claims arising out of:

- i) any physical or chemical change in the form of the product made intentionally by the buyer or any other party or
- ii) repacking, unless unpacked solely for the purpose of inspection, demonstration, testing or the substitution of parts under instruction from the seller and then repacked in the original container or
- iii) demonstration, installation, servicing or repair operations except such operations performed at the seller's premises in connection with the sale of the product or
- iv) products which after sale by the seller have been labelled or relabelled or used as a container, part or ingredient of any other thing or substance.

