

COMPETITION TRIBUNAL

IN THE MATTER OF the Competition Act, R.S.C. 1985 c. C-34, as amended;

AND IN THE MATTER OF the acquisition of Riverside Forest Products Limited by Tolko Industries Ltd.;

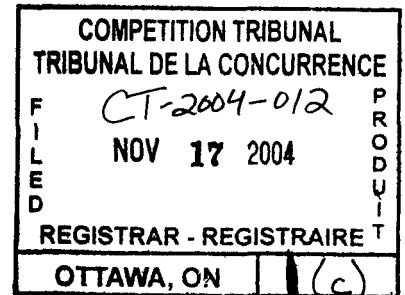
AND IN THE MATTER OF the filing and registration of a consent agreement pursuant to section 105 of the Competition Act,

BETWEEN:

THE COMMISSIONER OF COMPETITION

-and-

TOLKO INDUSTRIES LTD.



CONSENT INTERIM AGREEMENT IN RELATION TO THE ACQUISITION
BY TOLKO INDUSTRIES LTD. OF RIVERSIDE FOREST PRODUCTS LIMITED

WHEREAS Tolko Industries Ltd. ("Tolko") acquired the majority of the issued and outstanding common shares of Riverside Forest Products Limited ("Riverside") effective October 26, 2004.

WHEREAS pursuant to section 100 of the *Competition Act*, R.S.C. 1985, c. C-34 (the "Act"), the Commissioner of Competition (the "Commissioner") wishes to maintain the Riverside Okanagan Manufacturing Facilities (as hereinafter defined) as an independent, viable, ongoing and competitive business to preserve the Competition Tribunal's ability to order appropriate relief pending completion of the Commissioner's inquiry under section 10 of the Act, into the acquisition (as hereinafter defined);

NOW THEREFORE Tolko and the Commissioner have agreed to the terms of this Consent Interim Agreement as follows:

Definitions

1. For the purposes of this Consent Interim Agreement, the following definitions shall apply:
 - (a) "acquisition" means the acquisition by Tolko of all of the issued and outstanding shares of Riverside;
 - (b) "confidential information" means competitively sensitive or proprietary information of the Riverside Okanagan Manufacturing Facilities (as hereinafter defined), but does not include public information or information known to or obtained by Tolko from sources other than the Riverside Okanagan Manufacturing Facilities and, in the case of information respecting Tolko, means competitively sensitive or proprietary information of Tolko, but does not include public information or information known to or obtained by the Riverside Okanagan Manufacturing Facilities from sources other than Tolko;
 - (c) "divest" means to sell, transfer, assign or otherwise dispose of;
 - (d) "interim period" means the period of time commencing on the date of this Consent Interim Agreement and ending on the earlier of thirty (30) days thereafter or the date the Commissioner has completed her inquiry under section 10 of the Act, except that at the request of the Commissioner, the interim period shall be

extended for an additional fifteen (15) days for a total interim period of forty-five (45) days;

- (e) “Riverside Okanagan Manufacturing Facilities” means the Riverside mills located in the Okanagan Timber Supply Area as defined by the British Columbia Ministry of Forests; specifically, the Riverside mills located at Armstrong, Lumby and Kelowna; and
- (f) “person” means any natural person, corporation, association, firm, partnership or other business or legal entity.

2. All other terms defined in this Consent Interim Agreement have the meanings established elsewhere in this Consent Interim Agreement.

Acquisition of Shares

3. Nothing in this Consent Interim Agreement shall prevent Tolko from completing the acquisition of the remaining issued and outstanding shares of Riverside not currently held by Tolko through any means whatsoever, including by way of amalgamating Riverside with a wholly-owned subsidiary of Tolko or otherwise availing itself of the provisions of the *Business Corporations Act* (British Columbia) for the purpose of acquiring any remaining shares of Riverside. Further, nothing in this Consent Interim Agreement shall prevent any subsequent amalgamation of Riverside and Tolko or amalgamation of Riverside and a subsidiary of Tolko.

Maintain the Riverside Okanagan Manufacturing Facilities as a Separate and Independent Business

4. During the interim period, Tolko:
- (a) shall not, without the consent of the Commissioner or the Tribunal, directly or indirectly divest its interest in Riverside;
 - (b) shall not terminate the operation of the Riverside Okanagan Manufacturing Facilities or dispose of material assets of the Riverside Okanagan Manufacturing Facilities;

- (c) except as specifically provided for in this Consent Interim Agreement, shall not take any steps toward integrating the assets, management, operations or books and records of the Riverside Okanagan Manufacturing Facilities with those of Tolko.

[REDACTED]

- (d) shall maintain, in accordance with generally accepted accounting principles, separate and complete financial ledger books and records of material financial information for Tolko and the Riverside Okanagan Manufacturing Facilities.

5. [REDACTED]
(the "Interim Manager"), shall assume managerial responsibility over the Riverside Okanagan Manufacturing Facilities during the interim period in accordance with the terms of this Consent Interim Agreement.

6. Subject to the terms of this Consent Interim Agreement, the Interim Manager shall be prohibited from disclosing confidential information relating to the Riverside Okanagan Manufacturing Facilities to any manager or other employee of Tolko currently employed at Tolko's individual mill operations at the level of mill manager or lower. The Interim Manager shall within 48 hours following registration of this Agreement execute a confidentiality agreement reflecting the foregoing confidentiality commitments.

Maintain Viability of the Riverside Okanagan Manufacturing Facilities

7. Tolko, to the extent permitted by this Consent Interim Agreement, will cause the Riverside Okanagan Manufacturing Facilities to, and the Riverside Okanagan Manufacturing Facilities will, during the interim period:

- (a) subject to prevailing market conditions, carry on its business, in the same manner in which it carried on its business prior to its partial acquisition by Tolko, in accordance with generally prevailing industry standards; and
- (b) not knowingly take any action that will adversely affect the competitiveness, assets, operations or financial status of the Riverside Okanagan Manufacturing Facilities.

8. In particular, but without limiting the generality of paragraph 8 herein, Tolko will not cause the Riverside Okanagan Manufacturing Facilities to, and the Riverside Okanagan Manufacturing Facilities will not, other than in the ordinary course of business or due to prevailing market conditions, or as necessary to comply with this Consent Interim Agreement,

- (a) without the consent of the Commissioner, enter into or withdraw from any material contracts or arrangements in regard to the business of the Riverside Okanagan Manufacturing Facilities, make any material changes to its operations, or enter into any material agreement to lease any assets or real property of the business to any other person, that would have the effect of inhibiting or unreasonably delaying the divestiture of the Riverside Okanagan Manufacturing Facilities or reducing its value; or
- (b) without the consent of the Commissioner, and excepting employees who elect to resign, terminate or materially alter any current employment, salary or benefit agreements for any personnel employed at the Riverside Okanagan Manufacturing Facilities at the level of operations manager or lower.

Monitor

9. The Commissioner shall appoint [REDACTED] within five (5) business days hereof, to act as a monitor for the business of the Riverside Okanagan Manufacturing Facilities (the "Monitor"). [REDACTED]

[REDACTED] The Monitor shall be responsible for monitoring the business of the Riverside

Okanagan Manufacturing Facilities as is necessary to ensure compliance with this Consent Interim Agreement.

10. Once appointed, the Monitor shall perform his or her duties until the expiry of the interim period.

11. In the event that the Monitor (or any replacement) is unable to perform his or her duties under the terms of this Consent Interim Agreement, the Commissioner shall appoint, subject to Tolko's consent, which consent shall not be unreasonably withheld, a new monitor within five (5) business days.

12. If, in the Commissioner's reasonable opinion, a Monitor is not fulfilling his or her obligations pursuant to this Consent Interim Agreement, the Commissioner may, at any time, appoint a new Monitor, subject to Tolko's consent, which consent shall not be unreasonably withheld.

13. All remuneration and expenses of the Monitor shall be paid by Tolko.

14. Subject to the execution of a confidentiality agreement by the Monitor, Tolko shall give the Monitor timely and unlimited access to:

- (a) the business premises of the Riverside Okanagan Manufacturing Facilities;
- (b) any information relating to the operations, assets and business of the Riverside Okanagan Manufacturing Facilities; and
- (c) meetings of the management of the Riverside Okanagan Manufacturing Facilities at the operations manager level;

as may be reasonably required by the Monitor to fulfil his or her obligations pursuant to this Consent Interim Agreement.

15. Neither Tolko nor Riverside shall exert or attempt to exert any influence, direction or control over the Monitor which has or could have the effect of adversely affecting the discharge of his or her duties under this Consent Interim Agreement.

16. The Monitor shall discharge his or her responsibilities on the following terms:
- (a) in the event that the Monitor determines, in his or her reasonable opinion, that Tolko or the Riverside Okanagan Manufacturing Facilities is in default of any of the terms of this Consent Interim Agreement, the Monitor shall promptly notify the Commissioner and Tolko of such breach;
 - (b) the Monitor shall not communicate confidential information regarding the operations of the Riverside Okanagan Manufacturing Facilities to any person except to the extent required by the terms of this Consent Interim Agreement;
 - (c) the Commissioner shall have the right to request from the Monitor from time to time, and forthwith upon such request the Monitor shall provide to the Commissioner and to Tolko, a written report (together with such underlying reports as are appropriate, if so requested by the Commissioner) relating to the Riverside Okanagan Manufacturing Facilities' compliance with the terms of this Consent Interim Agreement; and
 - (d) the Monitor shall not be subject to personal liability for any breach by him or her or by the Riverside Okanagan Manufacturing Facilities or Tolko of any of the terms of this Consent Interim Agreement.

Other

17. Tolko and Riverside shall provide a copy of this Consent Interim Agreement to their respective boards of directors and senior officers, with a direction to comply with the terms hereof.

18. This Consent Interim Agreement shall in no way be taken as a waiver of any of Tolko's rights or defences under the Act or otherwise, or as an admission of any facts or law.

19. This Consent Interim Agreement is effective on the date it is entered into and ceases to have effect on the expiry of the interim period.

20. Notices, reports or other communications required or permitted by this Consent Interim Agreement shall be in writing and shall be given by personal delivery to the party to whom such notice is to be given or by registered mail or by facsimile to the address or facsimile number below:

For the Commissioner:

Commissioner of Competition
Competition Bureau
Industry Canada
Place du Portage, Phase 1
50 Victoria Street, 21st Floor
Gatineau, PQ
K1A 0C9

Facsimile : (819) 953-6169

For Tolko:

Trevor Jahnig
Chief Financial Officer
3203-30th Avenue
Vernon, BC
V1T 2C6

Facsimile: (250) 545-5133

With a copy to:

Adam Fanaki
Borden Ladner Gervais LLP
Scotia Plaza, 40 King St. West
Toronto, ON
M5H 3Y4

Facsimile: (416) 361-2452

21. For greater certainty, nothing in this Consent Interim Agreement shall prevent the disclosure of confidential information to counsel for Tolko or Tolko's senior management in

connection with the defence of any application that may be made by the Commissioner under the Act or any matters at issue by reason of this Consent Interim Agreement.

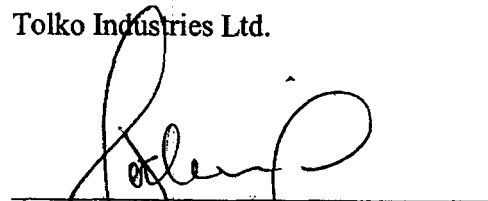
22. This Consent Interim Agreement constitutes the entire agreement between the Commissioner and Tolko with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral.

DATED at Gatineau, Quebec, this 12th day of November, 2004.


Commissioner of Competition

DATED at Vernon, British Columbia, this 12th day of November, 2004.

Tolko Industries Ltd.


Trevor Jabrig
Chief Financial Officer

SCHEDULE A

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CT-2004/00

THE COMPETITION TRIBUNAL

IN THE MATTER OF THE *COMPETITION ACT*,
R.S.C., 1985, c. C-34, as amended;

AND IN THE MATTER OF the acquisition of
Riverside Forest Products Limited by Tolko
Industries Ltd.;

AND IN THE MATTER OF the filing and
registration of a consent agreement pursuant to
section 105 of the *Competition Act*;

B E T W E E N:

THE COMMISSIONER OF COMPETITION

Applicant

-and-

TOLKO INDUSTRIES LTD.

Respondent

**CONSENT INTERIM AGREEMENT IN
RELATION TO THE ACQUISITION BY
TOLKO INDUSTRIES LTD. OF RIVERSIDE
FOREST PRODUCTS LIMITED**

Adam Newman

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