

2009 TAX INFORMATION

The following questions and answers may be of interest to holders of Stapled Units during 2009 who are resident in Canada. This information is not taxation advice provided by TimberWest to any particular holder of Stapled Units or any other person and TimberWest accepts no liability to any holder of Stapled Units relying on this information. **The taxation of the ownership of Stapled Units by any particular holder of Stapled Units is complex, depends on the holder's particular circumstances and must be determined by the holder in consultation with the holder's own tax advisors.**

Question 1 - TimberWest did not pay any interest on Stapled Units in 2009. Is a holder of a Stapled Unit during 2009 required to report for tax purposes any amount in respect of interest that accrued on the Stapled Units in 2009?

Even though TimberWest did not pay interest during 2009, Canadian income tax rules require certain holders of Stapled Units, including holders that normally report interest on a received basis, to include in income for 2009 certain amounts of interest that accrued on Stapled Units.

Question 2: What amount should be reported as interest income in respect of a Stapled Unit by a holder who held a Stapled Unit during 2009?

A corporation, a partnership or a trust having a corporation or a partnership as a beneficiary is required to report interest income on an accrual basis. During 2009, interest would be required to be accrued at the rate of \$0.0004920 per day based on the 2% minimum rate of interest applicable to a Stapled Unit after 2008.

For a holder that is an individual or a trust that has no corporations or partnerships as beneficiaries and has reported interest income from the Stapled Unit prior to 2009 on a received rather than on an accrual basis, the amount to be reported in 2009 will depend on when the Stapled Unit was acquired and whether it was disposed of during 2009. If a Stapled Unit was held continuously from October 1, 2009 to December 31, 2009, the holder should include an amount in income with respect to accrued interest for the 2009 year. This amount should be the amount of interest that has accrued to the holder during the period from the later of a) the date the holder acquired the Stapled Unit and b) October 2, 2008 to and including October 1, 2009. In this regard, interest accrued on a Stapled Unit at a rate of \$0.0029519 per day from October 1, 2008 to December 31, 2008 based on the 12% annual interest rate applicable to a Stapled Unit before 2009 and at a rate of \$0.0004920 from January 1, 2009 to October 1, 2009 based on the 2% minimum rate of interest applicable to a Stapled Unit after 2008. A holder that acquired a Stapled Unit after October 1, 2009 is not required to include any amount in income with respect to accrued interest on that Stapled Unit for the 2009 year.

If a holder is an individual that received a T5 in respect of Stapled Units owned by the holder during 2009, the amount shown on the T5 should be the accrued amount that must be reported in 2009 income, as described above.

The following examples illustrate the application of the foregoing description as well as other possible circumstances involving the ownership and disposition of one Stapled Unit during 2009. The examples do not deal with the calculation of the gain or loss arising from the disposition of a Stapled Unit.

Examples

1. An individual holder acquired a Stapled Unit on June 17, 2008 and still holds the Stapled Unit on January 1, 2010.

This holder would be required to include \$0.403431 in income for 2009 with respect to the Stapled Unit. This is the amount of interest that accrued on the Stapled Unit from October 1, 2008 to and including October 1, 2009 at the per day rates set out above - \$0.0029510 per day for 92 days in 2008 and \$0.0004920 per day for 274 days in 2009.

2. An individual holder acquires a Stapled Unit on April 1, 2009 and still holds the Stapled Unit on January 1, 2010.

This holder should include the amount of interest that accrued on the Stapled Unit from April 1, 2009 to and including October 1, 2009 in income for 2009 at the per day rates set out above. Thus the holder will include \$0.090528 in income, being 184 days at a rate of \$0.0004920 per day.

3. An individual holder acquired a Stapled Unit on November 3, 2009 and still holds the Stapled Unit on January 1, 2010.

This holder would not have to include any amount in income with respect to interest on the Stapled Unit for the 2009 year. Individual holders that acquired a Stapled Unit after October 1, 2009 are not required to report accrued interest in 2009. However, if such holder disposes of the Stapled Unit at a time when interest has accrued on the Stapled Unit, the holder would be required to include the amount of the accrued interest to the date of disposition in income in 2009.

Question 3: What happens when interest is paid after 2009?

On October 15, 2010, TimberWest will pay an amount of interest accrued on Stapled Units by way of a payment in kind or cash. This amount will be a payment of the interest that accrued on a Stapled Unit from January 1, 2009 to March 31, 2009. A holder will not have to include an amount of interest received on October 15, 2010 in income for 2010 to the extent that such interest has already been included in the holder's income (e.g., because the holder had to include this accrued interest in 2009 income due to the

interest accrual rules). If the holder has not previously included the amount of interest in income (e.g., because the holder acquired the Stapled Unit after October 1, 2009 and so was not subject to the interest accrual rules for the 2009 year), the amount of interest paid by way of payment in kind or cash should be included in the holder's income for 2010.

Question 4: What happens if a holder sells a Stapled Unit at a time when accrued interest is outstanding?

On the sale of a Stapled Unit, a holder is required to include in income the amount of interest that has accrued to the holder to the date of disposition to the extent the amount has not otherwise been included in income.

The holder should be able to deduct the amount of any accrued interest previously included in income and that remains unpaid at the time of disposition to the extent that the amount of such accrued interest exceeds the consideration received on the sale of the Stapled Unit that is reasonably attributable to accrued interest.