



**TIMBERWEST FOREST CORP.**

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING  
AND  
INFORMATION CIRCULAR**

**March 29, 2010**

**IMPORTANT INFORMATION FOR UNITHOLDERS**

## TABLE OF CONTENTS

Notice of Annual General and Special Meeting .....	2
Information Circular .....	3
Solicitation of Proxies .....	3
Proxies .....	3
Persons Making the Solicitation .....	4
Stapled Units and Principal Holders Thereof .....	4
Information for Beneficial Holders of Stapled Units.....	5
Matters to be Acted Upon.....	6
Particulars of Other Matters to be Acted Upon .....	9
Statement of Corporate Governance Practices .....	11
Executive Compensation .....	19
Director Compensation.....	32
Securities Authorized for Issuance Under Equity Compensation Plans .....	35
Interest of Certain Persons in Matters to be Acted Upon .....	37
Interest of Informed Persons in Material Transactions.....	37
Indebtedness of Directors and Executive Officers.....	37
Additional Information.....	38
Approval of the Board .....	38
SCHEDULE A .....	A1

# **TIMBERWEST FOREST CORP.**

## **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING**

**TO BE HELD ON MAY 5, 2010**

TO THE UNITHOLDERS:

The Annual General and Special Meeting (the "Meeting") of the holders (the "Unitholders") of Stapled Units of TimberWest Forest Corp. (the "Company"), in their capacity as holders of Common Shares without par value of the Company ("common shares"), will be held at the Metropolitan Hotel, 645 Howe Street, Vancouver, British Columbia, Canada on Wednesday, May 5, 2010, at 2:00 pm (Vancouver time) for the following purposes:

1. To receive the report of the directors to the Unitholders.
2. To receive the consolidated financial statements of the Company for the financial year ended December 31, 2009, and the report of the auditors thereon.
3. To elect the directors of the Company for the ensuing year.
4. To appoint KPMG LLP as auditors of the Company for the ensuing year.
5. To authorize the directors to fix the remuneration to be paid to the auditors for the ensuing year.
6. To consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution authorizing (i) the issuance by the Company of additional 9% convertible debentures as payment-in-kind of interest in respect of all interest payments remaining on the Company's outstanding 9% convertible debentures until their maturity in February 2014 and (ii) the issuance by the Company of the Stapled Units issuable upon the conversion of such additional convertible debentures.
7. To transact such other business as may properly come before the Meeting.

The consolidated financial statements of the Company for the financial year ended December 31, 2009, and the auditors' report thereon, which will be presented at the Meeting, are contained in the 2009 Annual Report accompanying this Notice.

The names of the persons proposed to be nominated for election as directors of the Company are set out in the Information Circular that follows. The directors of the Company have fixed March 29, 2010 as the record date for determining Unitholders entitled to receive notice of and to vote at the Meeting. Registered Unitholders who are unable to be present in person at the Meeting are requested to date, execute and return the accompanying form of proxy to TimberWest Forest Corp., c/o Valiant Trust Company, P.O. Box 6510 Stn. Terminal, Vancouver, British Columbia, V6B 4B5, not later than 48 hours before the time of the Meeting or any adjournment thereof. A self-addressed postage paid envelope is enclosed.

All non-registered Unitholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with instructions or follow the procedures provided to them by such broker or intermediary in order to have their units voted.

DATED as of the 29<sup>th</sup> day of March 2010.

BY ORDER OF THE BOARD OF DIRECTORS

Brenda G. Blue  
Secretary



**TimberWest**

**TIMBERWEST FOREST CORP.**

**INFORMATION CIRCULAR**

**AS AT MARCH 29, 2010**

**SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of **TIMBERWEST FOREST CORP.** (the “Company”) for use at the Annual General and Special Meeting (the “Meeting”) of the holders (“Unitholders”) of Stapled Units of the Company to be held on Wednesday, May 5, 2010, at the time and place and for the purposes set forth in the accompanying Notice of Annual General and Special Meeting (the “Notice”). In this Information Circular, “Board of Directors” and “Board” refers to the board of directors of the Company.

**PROXIES**

**Deposit of Proxy**

**In order to be valid and effective, a completed proxy must be delivered to the Company, c/o Valiant Trust Company, P.O. Box 6510 Stn. Terminal, Vancouver, British Columbia, V6B 4B5, not later than 48 hours before the time of the Meeting or any adjournment thereof. A self-addressed postage paid envelope is enclosed.**

**Revocation of Proxies**

A Unitholder who has given a proxy may revoke it by (a) signing a proxy bearing a later date and depositing it as provided under ‘Deposit of Proxy’, (b) signing and dating a written notice of revocation (in the same manner as the enclosed form of proxy is required to be executed, as set out under ‘Validity of Proxy’, and delivering such notice either to the head office of the Company, P.O. Box 11101, Suite 2300 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3P3, Attention: Brenda G. Blue, or to the registered office of the Company at P.O. Box 10424 Pacific Centre, Suite 1300 – 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K2, Attention: R. Balfour, at any time up to and including the last business day preceding the day of the Meeting or to the Chairman of the Meeting at the Meeting or (c) attending the Meeting in person and registering with the scrutineer thereat as a Unitholder present in person and signing and dating a written notice of revocation. Such revocation will have effect only in respect of those matters upon which a vote has not already been cast pursuant to the authority conferred by the proxy.

**Voting of Shares Represented by Proxy**

The individuals named as management’s proxy nominees in the form of proxy enclosed with this Information Circular are currently directors or officers of the Company. On any ballot or poll or voting otherwise, the common shares of the Stapled Units represented by a proxy in this form will be voted for or against or withheld from voting in accordance with the instructions of the Unitholder as specified in the proxy with respect to any matter to be acted on. **If a choice is not so specified with respect to any such matter, the common shares of the Stapled Units represented by a proxy given to the individuals named as proxy nominees in the enclosed form of proxy will be voted in favour of such matter. A Unitholder has the right to appoint a person (who need not be a Unitholder) other than the individuals named in the enclosed form of proxy to attend and act for the Unitholder and on the Unitholder’s behalf at the Meeting and may exercise such right by inserting the name and address of the desired proxy nominee in the blank space provided in the form of proxy. In this case, if a voting choice is not so specified on such a proxy, the proxy nominee so named shall be entitled to vote the common shares represented by such proxy as that person sees fit.**

A proxy in the form enclosed will confer discretionary authority upon the proxy nominee named therein with respect to amendments and variations to the matters identified in the accompanying Notice and any other matter that may properly be brought before the Meeting. As of the date hereof, management of the Company is not aware of any such amendments, variations or other matters to be presented for consideration at the Meeting.

#### **Validity of Proxy**

**A proxy will not be valid unless it is dated and signed by the Unitholder or by the Unitholder's attorney duly authorized in writing. In the case of a Unitholder that is a corporation, a proxy will not be valid unless it is executed under its seal, or by a duly authorized officer or agent of, or attorney for, such corporate Unitholder. If a proxy is executed by an attorney or agent for an individual Unitholder or joint Unitholders, or by an officer, attorney, agent or other authority for a corporate Unitholder, the instrument empowering the officer, attorney or agent, as the case may be, or a notarial copy thereof, should accompany the proxy or be delivered to the Company.**

A vote cast in accordance with the terms of a proxy will be valid notwithstanding the previous death, incapacity or bankruptcy of the Unitholder or intermediary on whose behalf the proxy was given or the revocation of the appointment of the proxy nominee, unless written notice of such death, incapacity, bankruptcy or revocation is received at the registered office of the Company at any time up to and including the last business day before the day of the Meeting or by the Chairman of the Meeting at the Meeting before any vote in respect of which the proxy has been taken.

#### **PERSONS MAKING THE SOLICITATION**

**This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of the Company. The cost of the solicitation has been and will be borne by the Company. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone or other means of communication by directors and regular employees of the Company without special compensation. In addition, the Company may retain the services of agents to solicit proxies on behalf of management of the Company. In that event, the Company will compensate any such agent for such services, including reimbursement for reasonable out-of-pocket expenses, and will indemnify them in respect of certain liabilities that may be incurred by them in performing their services.**

#### **STAPLED UNITS AND PRINCIPAL HOLDERS THEREOF**

Each Stapled Unit of the Company consists of one common share of the Company and a Subordinate Note Receipt representing approximately \$8.98 face amount of Series A Subordinate Notes of the Company ("Series A Notes"). The common share and Series A Subordinate Note Receipt trade together as a Stapled Unit on the Toronto Stock Exchange under the symbol "TWF.UN".

As a holder of one common share comprising a part of each Stapled Unit, each Unitholder is entitled to receive notice of and to attend all meetings of shareholders of the Company and to one vote for each such common share at such meetings.

As at March 29, 2010, there were 77,937,937 Stapled Units issued and outstanding, each of which includes one common share, which carries the right to one vote at the Meeting. The quorum for the Meeting is two persons present at the Meeting and representing in person or by proxy common shares carrying not less than 10% of the votes eligible to be cast at the Meeting.

**Only persons registered as Unitholders on the books of the Company as of the close of business on March 29, 2010 (the "Record Date") are entitled to receive notice of and to attend and vote at the Meeting.**

To the knowledge of the directors and executive officers of the Company based upon a review of publicly available information, other than as set forth below, no person beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Stapled Units.

<u>Name</u>	<u>Number of Stapled Units</u>	<u>Percentage of Issued and Outstanding Stapled Units</u>
Invesco Trimark Ltd. and Invesco Asset Management, Limited	13,536,998	17.4%

As at March 29, 2010, the directors and senior officers of the Company and its subsidiaries, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, less than 1% of the issued and outstanding Stapled Units.

### **INFORMATION FOR BENEFICIAL HOLDERS OF STAPLED UNITS**

The information set forth in this section is of significant importance to any Unitholders of the Company who do not hold Stapled Units which are registered on the records of the Company in the Unitholders' own name. Unitholders who do not hold their Stapled Units in their own name (referred to in this Information Circular as "Beneficial Unitholders") should note that only registered holders of Stapled Units may attend and vote in person at the Meeting or deposit proxies for use at the Meeting. Beneficial Unitholders will not be recognized at the Meeting for the purpose of voting the common shares of the Stapled Units in person unless appointed by the broker, bank or intermediary as a proxy nominee.

If Stapled Units are listed in an account statement provided to a Unitholder by a brokerage firm, bank or other intermediary, then in almost all cases those Stapled Units will not be registered in the name of the Beneficial Unitholder, the broker, the bank or other intermediary. In Canada, the vast majority of such Stapled Units are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited), which acts as nominee for many Canadian brokerage firms, banks and other intermediaries. Brokers, banks, other intermediaries and their nominees can only deposit a proxy upon the instructions of the Beneficial Unitholder. Without specific instructions, brokers, banks, other intermediaries and their nominees are prohibited from voting the common shares of the Stapled Units on behalf of their clients.

The Company has not sent any proxy-related materials that solicit votes or voting instructions DIRECTLY to any Beneficial Unitholders. Applicable regulatory policy requires brokers, banks and intermediaries to seek voting instructions from Beneficial Unitholders in advance of Unitholders' meetings. Every broker, bank and intermediary has its own procedures to seek such voting instructions. These should be carefully followed by Beneficial Unitholders in order to ensure that the common shares of their Stapled Units are voted at the Meeting. The majority of brokers in Canada have delegated responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge prepares a separate "voting instruction" form, mails those forms to the Beneficial Unitholders and asks Beneficial Unitholders to return the voting instruction forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares contained within the Stapled Units to be represented at the Meeting. A Beneficial Unitholder receiving a voting instruction form cannot deposit on the Meeting Date that form to vote common shares contained within the Stapled Units at the Meeting. The form must be returned to Broadridge in advance of the Meeting in order to allow the common shares contained within the Stapled Units to be voted by the named proxy nominee at the Meeting.

**IF YOU ARE A BENEFICIAL UNITHOLDER AND WISH TO VOTE IN PERSON AT THE MEETING, PLEASE CONTACT YOUR BROKER OR AGENT IN SUFFICIENT TIME IN ADVANCE OF THE MEETING TO DETERMINE AND FOLLOW THE PROCEDURES OF THE RELEVANT INTERMEDIARY FOR APPOINTING YOU AS PROXY IN RESPECT OF YOUR UNITS SO THAT YOU CAN VOTE THEM IN PERSON AT THE MEETING.**

## MATTERS TO BE ACTED UPON

### Report of the Directors to the Unitholders

The report of the directors to the Unitholders is included in the 2009 Annual Report, which has been mailed to Unitholders with this Information Circular and is also filed on SEDAR at <http://www.sedar.com>.

### Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2009, are included in the 2009 Annual Report, which has been mailed to Unitholders with this Circular and is also filed on SEDAR at <http://www.sedar.com>.

### Election of Directors

The directors of the Company are elected each year at the annual meeting of the Company and hold office until their successors are elected or appointed, or until he or she sooner ceases to hold office.

#### *Nominees*

The Board of Directors of the Company (the "Board") has determined pursuant to the Articles of the Company that the number of directors to be elected at the Meeting shall be seven (7).

The following pages set out the name of each of the seven persons nominated for election as directors. All of the nominees are presently directors of the Company. **Management of the Company proposes to nominate each of the persons listed below for election as a director of the Company and the persons named in the enclosed form of proxy intend to vote for the election of these nominees.** The position and office with the Company presently held by each such person, their present principal occupation or employment, the year in which they were first elected or appointed as a director, other principal directorships held by them, their committee memberships and the number of Stapled Units that they have advised are beneficially owned, or over which control or direction is exercised, by them at the date of this Information Circular is set forth below:



**V. Edward Daughney**, 69, of Vancouver, British Columbia, has served on the Board since 1997. Mr. Daughney has been Principal and Chairman of Echelon Home Products since 1989. This company distributes major appliances in Western Canada and the US Pacific Northwest. Prior to 2000, Mr. Daughney was Principal and President of Merit Kitchens, past Chairman of the Export Development Corporation and past President of First City Trust. Mr. Daughney has also served as a director of a number of Canadian companies. He is a Chartered Accountant with extensive experience in financial roles.

Chairman of the Board  
Member of the Governance and Human Resources Committee  
Ownership of securities:  
11,992 Stapled Units  
112,101 Options, all eligible for Distribution Equivalent Awards  
\$60,137 aggregate principal amount of Convertible Debentures (convertible into 17,182 Stapled Units)<sup>(1)</sup>



**The Honourable David L. Emerson, P.C.**, 64, of Vancouver, British Columbia joined the Board in January 2009.

Nationally Mr. Emerson has held senior positions that include Minister of Foreign Affairs, Minister of International Trade with responsibility for Pacific Gateway and Vancouver – Whistler Olympics, and Minister of Industry. In British Columbia he was Deputy Minister to the Premier and Secretary to the Cabinet, Deputy Minister of Finance and Secretary to Treasury Board, and President, British Columbia Trade Development Corporation. In the private sector, his career included President and CEO, Canfor Corporation, President and CEO, Vancouver Airport Authority, and Chairman and CEO, Canadian Western Bank.

Mr. Emerson is currently a director of Finning International Inc., director of Stantec Inc., Chair, British Columbia Transmission Corporation, Chair, Alberta Premier's

Chairman of the Governance and Human Resources Committee  
Member of the Risk Management, Environment, Health and Safety Committee  
Ownership of securities:  
11,420 Stapled Units  
37,841 Options, all eligible for Distribution Equivalent Awards

---

Council for Economic Strategy, Chair, Energy Policy Institute of Canada, Co-Chair, Prime Minister's Advisory Committee on the Public Service, and Member, China Investment Corporation International Advisory Council.

---



**Robert J. Holmes**, 65, of Bellevue, Washington, United States, has served on the Board since April 2007. Mr. Holmes is the founder and manager of THG, LLC, (The Holmes Group), a real estate advisory firm. Mr. Holmes served as President and CEO of Harbor Properties, Inc. and as President and Manager of Harbor Mountain Company from 1994 to 2005. In the decade before he joined Harbor Properties, Mr. Holmes was President, CEO and then Chairman of Intrawest USA. He currently serves as a director or advisor to the University of Washington's certificate program in commercial real estate and the Bellevue Chamber of Commerce.

Chairman of the Real Estate Committee

Member of the Risk Management, Environment, Health and Safety Committee

Ownership of securities:

31,828 Stapled Units

49,841 Options, all eligible for Distribution Equivalent Awards

---



**Maureen E. Howe**, 52, of Vancouver, British Columbia, joined the Board in March 2009. Ms. Howe has extensive experience in corporate finance and the capital markets sector, most recently as Managing Director-Equity Research, Energy Infrastructure with RBC Capital Markets. Ms. Howe was previously Treasurer of BC Gas Inc. She was Adjunct Professor in Finance at the University of British Columbia and has lectured in finance at both UBC and the University of Manitoba. Ms. Howe is a member of a number of associations, including the Board of Governors of the University of British Columbia, the Board of UBC Investment Management Trust Inc., the Board of the Canadian Securities Institute Foundation and Chairperson of Phillips, Hager & North Centre for Financial Research.

Member of the Audit Committee

Member of the Real Estate Committee

Ownership of securities:

20,700 Stapled Units

49,261 Options, all eligible for Distribution Equivalent Awards

---



**Paul J. McElligott**, 57, President and Chief Executive Officer of the Company, of North Vancouver, British Columbia, joined the senior management of TimberWest Forest Corp. in January 2001. A director of TimberWest since 1997, Mr. McElligott had been President and CEO of British Columbia's BC Rail Group of Companies since 1989. Mr. McElligott has extensive experience in BC's real estate, rail transportation and deep-sea port terminal sectors. Prior to joining BC Rail, he had been President of Voyageur Enterprises Ltd., a wholly owned subsidiary of Montreal based the CSL Group. Mr. McElligott currently serves as a governor of the BC Business Council, a director of the Coast Forest Products Association and the Faculty Advisory Committee of the UBC Faculty of Forestry and is a former director of the Board of Trade and World Forestry Center.

Ownership of securities:

76,657 Stapled Units

773,611 Options, all eligible for Distribution Equivalent Awards

\$133,128 aggregate principal amount of Convertible Debentures (convertible into 38,036 Stapled Units)<sup>(1)</sup>

---



**Robert W. Murdoch**, 67, of Salt Spring Island, British Columbia, has served on the Board since 2001. Mr. Murdoch was President and CEO of Lafarge Corporation. He is on the International Advisory Board of Lafarge S.A. Paris. He interrupted his 20-year career with Lafarge to be Executive Assistant to Canadian Prime Minister Pierre Trudeau for five years. Mr. Murdoch currently serves as Chairman of the Board of Ritchie Bros. Auctioneers Incorporated and is on the board of Lallmand Inc. and on the International Advisory Board of Lafarge, SA. He is currently a governor and past chairman of the Board of Shawnigan Lake School located on Vancouver Island.

Member of the Audit Committee

Member of the Governance and Human Resources Committee

Ownership of securities:

15,020 Stapled Units

55,841 Options, all eligible for Distribution Equivalent Awards

---



**Maria M. Pope**, 45, of Portland, Oregon, United States has served on the Board since April 2008. Ms. Pope is the Senior Vice President, Finance, Chief Financial Officer and Treasurer of Portland General Electric. Prior to January 1, 2009, Ms. Pope was Vice President, Chief Financial Officer of Mentor Graphics from July 2007. Previously Ms. Pope was with Pope & Talbot as Vice President-General Manager of the company's wood products division and President of the company's Canadian subsidiary from 2003 to 2007. She joined Pope & Talbot in 1995 and was named Vice President, Chief Financial Officer and Corporate Secretary in 1999. Ms. Pope is a board member of Premera Blue Cross and Oregon Health Sciences University. She was a past board member of Portland General Electric (PGE). Ms. Pope is a past chair of the Council of Forest Industries.

Chairwoman of the Audit Committee

Member of the Risk Management, Environment, Health and Safety Committee

Ownership of securities:

11,420 Stapled Units

43,841 Options, all eligible for Distribution Equivalent Awards

---

<sup>(1)</sup> On February 11, 2009, the Company issued 9% extendible convertible debentures of the Company. In October 2009 and January 2010, the Company paid interest on the convertible debentures by issuing additional principal amounts of convertible debentures in lieu of cash. As described under "Particulars of Other Matters to be Acted Upon – Debenture and Underlying Stapled Units", the Company currently intends to pay interest on the convertible debentures in kind for the foreseeable future and is seeking Unitholder approval for the issuance of such additional convertible debentures. The convertible debentures are convertible into Stapled Units at the option of the holder at a conversion price of \$3.50 per Stapled Unit.

Each of the nominees named above has consented to act as a director of the Company. In the event the Company is advised prior to the election of directors at the Meeting that any such individual is unable or unwilling to so act, a proxy in the enclosed form of proxy will confer discretionary authority on the proxy nominee so named to vote for the election of such other individuals who may be nominated at the Meeting.

In connection with the private placement of convertible debentures to two wholly-owned subsidiaries of British Columbia Investment Management Corporation (the "bcIMC Investors") on February 11, 2009, the Company agreed to provide the bcIMC Investors with the right to nominate up to two individuals for election to the Company's board of directors. Mr. Emerson and Ms. Howe are the nominees of the bcIMC Investors for this purpose.

**Record of Attendance by Directors for the twelve months ended December 31, 2009**

Director	Board Meetings		Committee Meetings	
	Held	Attended	Held	Attended
William C. Brown	4 <sup>(1)</sup>	4 <sup>(1)</sup>	2 <sup>(1)</sup>	2 <sup>(1)</sup>
V. Edward Daughney	9	9	7	7
David L. Emerson	9 <sup>(2)</sup>	9 <sup>(2)</sup>	6 <sup>(2)</sup>	6 <sup>(2)</sup>
Robert J. Holmes	9	9	8	8
Maureen E. Howe	6 <sup>(3)</sup>	4 <sup>(3)</sup>	5 <sup>(3)</sup>	3 <sup>(3)</sup>
Paul J. McElligott	9	9	n/a <sup>(4)</sup>	n/a <sup>(4)</sup>
Robert W. Murdoch	9	9	9	9
Conrad A. Pinette <sup>(5)</sup>	9	9	10	10
Maria M. Pope	9	9	6	6

- (1) Mr. Brown retired from the Board on May 6, 2009.
- (2) Mr. Emerson joined the Board on January 20, 2009.
- (3) Ms. Howe joined the Board on March 4, 2009.
- (4) Committees of the Board are composed entirely of outside and unrelated directors. Mr. McElligott does, however, attend Committee meetings.
- (5) Mr. Pinette is not standing for re-election as he has attained the age of 70 years.

For details in relation to orientation and continuing education for the directors, please see “Statement of Corporate Governance Practices – Orientation and Continuing Education”.

**PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

**Appointment and Remuneration of Auditors**

**Management proposes that KPMG LLP, Chartered Accountants (“KPMG”) be reappointed as the auditors of the Company to hold office until the termination of the next annual meeting of the Company.** Management further proposes that, as in the past, the remuneration to be paid to the auditors be determined by the Board. Unless otherwise instructed the persons named in the enclosed form of proxy intend to vote for the reappointment of KPMG as the auditors of the Company until the termination of the next annual meeting of the Company at a remuneration to be fixed by the directors of the Company.

**Authorization of Issuance of Additional Convertible Debentures and Underlying Stapled Units**

On February 11, 2009, the Company issued \$50 million aggregate principal amount of 9% extendible convertible debentures of the Company (the “Public Debentures”) pursuant to a rights offering to existing Unitholders. On the same date, the Company also completed a private placement of \$100 million aggregate principal amount of convertible debentures of the Company having economic terms similar to those of the Public Debentures (the “Private Debentures” and, together with the Public Debentures, the “Convertible Debentures”) to two wholly-owned subsidiaries of British Columbia Investment Management Corporation (the “bcIMC Investors”). The Convertible Debentures are convertible into Stapled Units at the option of the holder at a conversion price of \$3.50 per Stapled Unit (the “Conversion Price”). Following the completion of the rights offering and private placement, the bcIMC Investors held Private Debentures convertible into approximately 23.7% of the then issued and outstanding Stapled Units, assuming the conversion in full of all Convertible Debentures. The Company relied on the financial hardship exemption under section 604(e) of the Toronto Stock Exchange (“TSX”) Company Manual in order to complete the private placement without Unitholder approval.

Under the terms of the Convertible Debentures, the Company may satisfy its obligation to pay interest on the Private Debentures by increasing the aggregate principal amount of the Private Debentures and on the Public

Debentures by issuing and delivering additional Public Debentures, in lieu of cash, all subject to certain conditions, including Toronto Stock Exchange (“TSX”) approval. Under applicable TSX rules, the Stapled Units issuable on conversion of any Convertible Debentures so issued will be deemed to be issued at the Conversion Price. In the event that the Company increases the aggregate principal amount of the Private Debentures or issues additional Public Debentures in payment of interest and the Conversion Price is less than the then current market price of the Stapled Units by an amount larger than the applicable discount permitted under TSX rules, which is 15% for securities with a market price above \$2.00, the Company would be required under TSX rules to obtain securityholder approval in connection with such issuance. As of the date of this Circular, based on the closing price on the TSX for the Stapled Units on March 29, 2010 of \$4.63, the Conversion Price was at a 24.4% discount to the market price of the Stapled Units.

In view of the potential requirement under applicable TSX rules for Unitholder approval in the event that the Company elects to pay interest on the Convertible Debentures in kind, the investor rights agreement entered into by the Company with the bcIMC Investors (the “Investor Rights Agreement”) required the Company to, among other things, seek Unitholder approval at the Company’s 2009 Annual General and Special Meeting for the issuance of additional Convertible Debentures (and the Stapled Units issuable on the conversion thereof) sufficient to enable the Company to pay four quarterly interest payments in kind. In addition, the Company agreed under the Investor Rights Agreement to seek such Unitholder approval annually if requested by the bcIMC investors. These provisions were included to provide greater certainty to the bcIMC Investors regarding the Company’s ability to exercise its right to pay interest on the Convertible Debentures in kind if necessary.

As required under the Investor Rights Agreement, the Company sought and obtained at its 2009 Annual General and Special Meeting Unitholder approval of the issuance of additional Convertible Debentures, and the issuance of the Stapled Units issuable on conversion thereof, sufficient to enable the Company to pay four quarterly interest payments in kind. Following this approval, the Company announced in July 2009 that, as part of its focus on conserving cash and protecting its balance sheet in response to the continuing weakness in economic and business conditions, it would pay interest on the Convertible Debentures in kind starting with the quarterly interest payment due October 15, 2009. Since then, the Company has paid interest on the Convertible Debentures in kind for the quarterly interest period ended December 31, 2009 and intends to continue paying interest in kind for the foreseeable future.

In order to assure the Company’s ability to continue paying interest on the Convertible Debentures in kind, and to avoid the administrative burden and expense of having to seek Unitholder approval annually or at the time of such payment, the Company is seeking Unitholder approval at the Meeting for the issuance of additional Convertible Debentures, and the issuance of the Stapled Units issuable on conversion thereof, sufficient to enable the Company to pay interest on the Convertible Debentures in kind for all remaining interest periods until the maturity date of the Convertible Debentures in February 2014. Excluding the quarterly interest payments due on April 15, 2010 and July 15, 2010, which would constitute the third and fourth payments of interest in kind covered under the approval granted by Unitholders at the Company’s 2009 Annual General and Special Meeting, the approval granted at the Meeting would cover the fourteen quarterly interest periods commencing on July 1, 2010 and ending on December 31, 2013 (the “Covered Interest Payments”).

The Company’s election to pay interest on the Convertible Debentures in kind in respect of all of the Covered Interest Payments would require, in aggregate, the issuance of up to an additional \$19,983,560 aggregate principal amount of Public Debentures, an increase of up to \$39,832,700 in the aggregate principal amount of the Private Debentures, and the allotment and reservation for issuance of up to 17,090,400 Stapled Units issuable upon the conversion of such additional Convertible Debentures (collectively, the “PIK Debenture Issuances”). Assuming the full amount of such increase or issuance of additional Convertible Debentures by the Company, the underlying Stapled Units would represent approximately 21.9% of the current issued and outstanding Stapled Units. Assuming the conversion in full of the Private Debentures (including all additional principal amounts of Private Debentures issued pursuant to the PIK Debenture Issuances), the underlying Stapled Units would represent approximately 35.3% of the issued and outstanding Stapled Units assuming no conversion of any Public Debentures and approximately 30.0% of the issued and outstanding Stapled Units assuming the conversion in full of all Public Debentures.

If approved at the Meeting, the PIK Debenture Issuances may be made in part from time to time in respect of up to 14 quarterly interest payments prior to the maturity of the Convertible Debentures in February 2014 without any further requirement for Unitholder approval. Although the Company currently intends to pay interest on the Convertible Debentures in kind for the foreseeable future, the Company may in the future elect to pay such

interest in cash and, accordingly, the aggregate principal amount of additional Convertible Debentures issued in payment of interest on the Convertible Debentures, and the number of Stapled Units issuable upon the conversion of such additional Convertible Debentures, may be less than the amounts indicated above. In addition, the number of additional Convertible Debentures and underlying Stapled Units will be less than the amounts indicated above to the extent that holders of Convertible Debentures convert their Convertible Debentures into Stapled Units from time to time prior to their maturity date.

As at the date of this Circular, the directors and officers of the Company collectively held less than 1% of the aggregate principal amount of the Public Debentures.

The TSX has conditionally approved the PIK Debenture Issuances, subject to their approval by Unitholders at the Meeting and the fulfillment of customary conditions at the time of any such issuance.

The full text of the ordinary resolution proposed for consideration by Unitholders to authorize the PIK Debenture Issuances described above is set forth in Schedule "A" to this Information Circular. In order to become effective for the purposes of satisfying the securityholder approval requirements under applicable TSX rules, the ordinary resolution requires the affirmative vote of a simple majority of the votes cast by holders of Stapled Units present in person or represented by proxy at the Meeting.

### **Other Matters to be Acted Upon**

The management of the Company knows of no matters, which may be brought before the Meeting other than those referred to in the Notice. However, if other matters are properly brought before the Meeting, the persons named in the enclosed form of proxy intend, in their discretion, to vote on such matters in accordance with the judgment of the person so voting.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Company's Board of Directors and senior management consider good corporate governance to be central to the effective, efficient and prudent operation of the Company. During the past year, both management and the Board have monitored and, where appropriate, responded to regulatory developments aimed at improving corporate governance practices, increasing corporate accountability and enhancing the transparency of public company disclosure and will continue to monitor developments in corporate governance practices.

On June 30, 2005, National Instrument 58-101, Disclosure of Corporate Governance Practices (the "Instrument") and a related National Policy 58-201, Corporate Governance Guidelines (the "Guidelines") issued by the Canadian Securities Administrators (CSA) came into effect, replacing the guidelines previously issued by the Toronto Stock Exchange. The Guidelines and the Instrument require listed companies to annually disclose their approach to corporate governance with reference to specific matters. The following disclosure is in accordance with the Instrument.

### **Board of Directors**

The Guidelines recommend that a board of directors should be constituted by a majority of individuals who qualify as "independent directors". For the purpose of the Guidelines, a director is independent if he or she has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship which could in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement and there are certain relationships that are considered to be a "material relationship" under section 1.4 of National Instrument 52-110 ("NI 52-110") (as referred to in the Instrument and the Guidelines).

The directors of the Company have examined the relevant definitions in the Guidelines, the Instrument and under section 1.4 of NI 52-110 and have individually considered their respective interests in and relationships with the Company. As a consequence, the Board has determined that on a rigorous application of these definitions, the majority of the Board's directors are independent (seven of the Company's eight directors and six of the seven directors proposed to be nominated for re-election satisfy "independence" requirements). Specifically, Mr. V. Edward Daughney, Mr. David L. Emerson, Mr. Robert J. Holmes, Ms. Maureen E. Howe, Mr. Robert W. Murdoch, Mr. Conrad A. Pinette and Ms. Maria M. Pope are all independent directors. Mr. Pinette is not

standing for re-election. Mr. McElligott, by virtue of his position as the President and Chief Executive Officer (the “CEO”) of the Company, is the only director who is not an independent director.

Certain directors of the Company are presently directors of other reporting issuers. For further details and information, please refer to pages 6 to 8 under the heading “Election of Directors”.

The Guidelines recommend that a board of directors should have in place appropriate structures and procedures to enable the board to function independently of management. The Guidelines recommend that the chair of the board of directors be an independent director. The Chairman of the Board of the Company, Mr. Daughney, is not an employee of the Company and is not regularly involved in the day-to-day management of the Company and satisfies the definition of independence under the Guidelines. The Chairman is responsible for managing the affairs of the Board and works with the CEO and other management to ensure effective relations with members of the Board, the Unitholders and the public. The Guidelines also recommend that the independent directors hold regularly scheduled meetings that are not attended by non-independent directors. At the conclusion of each quarterly Board meeting, there is an in-camera session of independent directors in which the independent directors can discuss matters without presence of the non-independent director and the management. In 2009, the independent directors met in such a manner at the conclusion of each of the Board meetings. Board committees also have “in-camera” sessions as a standing agenda item without the presence of the non-independent director and management.

Individual directors of the Company may engage outside advisors at any time at the Company’s expense, subject to the approval of the Chairman of the Board, to provide advice with respect to a corporate decision or action. In addition, each Committee of the Board has the power to engage outside advisors to advise and assist them in situations that they deem necessary, subject to the approval of the committee chair.

For information on attendance of members of the Board at Board meetings and Committee meetings, please refer to page 9 under the heading “Record of Attendance by Directors for the Twelve Months Ended December 31, 2009”.

The Guidelines recommend that a board of directors should examine its size having regard to its effectiveness and, where appropriate, consider reducing the number of directors to facilitate more effective decision-making.

The Board has adopted a policy that directors should not be proposed for election at the annual meeting of Unitholders next held following the date on which they attain the age of 70 years. The Board may request a director to extend his/her term of service beyond the regular retirement age. In such cases, the director’s term will be extended in one-year increments. The Board will be reduced in size by one director after the 2010 Annual General Meeting as Conrad Pinette attains the age of 70 years.

### **Committees of the Board**

The Guidelines recommend that the nominating committee and the compensation committee should be composed of independent directors. NI 52-110 requires the audit committee to be composed of independent directors satisfying all criteria as set out in NI 52-110. The Board currently has established four standing committees: the Audit Committee, the Risk Management, Environment, Health and Safety Committee, the Governance and Human Resources Committee and the Real Estate Committee. Each of such committees has adopted a written charter and is composed entirely of independent directors as defined under the Guidelines. Mr. McElligott is not a member of such committees but attends all committee meetings. For detail of the members of each committee, please refer to pages 6 to 8 under the heading “Election of Directors”.

The Governance and Human Resources Committee is both a nomination committee and a compensation committee for the purposes of the Guidelines and the Instrument.

### **Audit Committee**

In addition to its statutory duties, and as required under NI 52-110, the Audit Committee assists the Board in its oversight of the integrity of the Company’s financial statements, the external auditors’ qualifications, independence and objectivity, the performance of the internal auditors and of the external auditors, the adequacy and effectiveness of internal controls and compliance with legal and regulatory matters. The Board, through the Committee, identifies principal financial risks in the business and ensures that those risks are appropriately managed. The Committee also reviews management policies and procedures for appropriateness and effectiveness.

All members of the Committee are financially literate. “Financial literacy” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally

comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. None of the members of the Committee receives, directly or indirectly, any compensation from the Company other than compensation described in this Information Circular (see page 33 under the heading "Compensation of Directors").

Subject to the powers of the Unitholders under corporate legislation to appoint and revoke the appointment of the external auditors, the Audit Committee has the authority and responsibility to recommend the appointment and revocation of appointment of the external auditors and to fix their remuneration. The Audit Committee is directly responsible for the oversight of the work of the external auditors, including reviewing relationships between the external auditors and the Company and resolution of disagreements between management and the external auditors regarding financial reporting. The Committee has the sole authority to approve all audit engagement fees and terms as well as the provision of any legally permissible non-audit services provided by the external auditors. The Committee is also charged with reviewing with the external auditors any audit problems or difficulties and management's response.

The Audit Committee, which has oversight responsibility for management reporting on internal controls, requires that management implement and maintain appropriate internal control procedures. The Committee meets with the internal auditors and with management to assess the adequacy and effectiveness of these systems of internal control. The Committee also reviews reports from the internal auditors on the Company's control environment and internal controls implemented to ensure any weaknesses identified have been remedied. The internal audit function at the Company is provided by PricewaterhouseCoopers. The chair of the Committee has direct access to the partner in charge of this engagement and the Committee approves internal audit engagement fees and terms provided by the internal auditors.

The Audit Committee terms of reference provide that the Committee will meet separately with the external auditors, the internal auditors and senior management on a regular basis to discuss and review specific issues as appropriate.

The Audit Committee also ensures that there are adequate procedures in place for the review of the Company's public disclosure of financial information. Among other things, the Audit Committee reviews:

- Quarterly Interim Financial Statements and related Management's Discussion and Analysis ("MD&A"), the Annual Consolidated Financial Statements and related MD&A, the Annual Information Form and this Information Circular;
- earnings press releases;
- prospectuses relating to the issuance of securities by the Company; and
- any significant issues reported to management by the internal audit function and management's responses to any such reports.

The Charter of the Audit Committee can be found on the Company's website at [www.timberwest.com](http://www.timberwest.com) (the "Company's Website") or on [www.sedar.com](http://www.sedar.com) as an attachment to the Company's Annual Information Form. Additional disclosure relating to the Company's audit committee, as required under National Instrument 52-110, is contained in the Company's Annual Information Form under the heading "Audit Committee". The Annual Information Form of the Company has been filed with SEDAR and is available at <http://www.sedar.com>. A copy of the Company's Annual Information form may also be obtained by making a request to the Secretary of the Company.

#### **Report on the Audit Committee Mandate**

The Audit Committee has met all of the requirements of its mandate. In particular, the Audit Committee is comprised of four independent directors all of whom are financially literate.

In addition, during 2009, the external auditors and the internal auditors attended the four quarterly Audit Committee meetings and in-camera meetings were held with the external and internal auditors. In particular, the Committee reviewed the independence criteria for external auditors and was satisfied the independence criteria have been met. The Chair of the Audit Committee met separately with the engagement partners from both the external and internal audit firms during the year independently of the Committee and management. The Audit Committee met four times in total during the year.

During 2009, the Audit Committee encouraged adherence to and continuous improvements of the Company's policies, procedures and practices at all levels. In particular, the Committee has established that the Chair of the

Audit Committee is the person to receive complaints regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by employees of concerns regarding such matters (whistle-blowing). The Company's internal audit function also has a direct reporting relationship to the Chair of the Audit Committee.

#### **Risk Management, Environment, Health and Safety Committee**

In 2009, the Committee's mandate was expanded to include risk management. Risk management was previously within the Audit Committee mandate. The Risk Management, Environment, Health and Safety Committee has specific authority to review, approve and revise the risk management, environmental and safety policies of the Company, to monitor the Company's risk and environmental management systems, including results of internal and external audits of these policies and systems, to provide direction to management on the frequency and focus of external independent environmental audits and to investigate any activity of the Company that relates to risk, environmental and safety matters. The Committee also monitors the status of the Company's compliance with ISO and SFI® certifications to ensure certification standards are being met. The Committee also monitors safety statistics such as the Medical Incident Rate and Incident Severity and Lost Time Injury to ensure the Company and its contractors are working to achieve or exceed high safety standards. In 2009, the Committee met four times.

#### **Governance and Human Resources Committee**

The Governance and Human Resources Committee has responsibility to review and recommend for approval by the Board all remuneration of the directors and officers of the Company. As recommended in the Guidelines, the Governance and Human Resources Committee reviews the amount and the form of compensation for directors. In making recommendations to the Board for appropriate adjustments in director compensation, the Committee considers the time commitment, risks and responsibilities of directors, as well as general comparative data including data derived from broad-based director compensation surveys and reports published by independent outside consultants. For a further discussion of director compensation, and specifically, compensation to the directors of the Company for 2009, please refer to page 32 under the heading "Director Compensation". For a detailed discussion on the process adopted by the Governance and Human Resources Committee in respect of Executive Compensation, please refer to page 19 under the heading "Executive Compensation".

The Governance and Human Resources Committee is also responsible for Board succession planning and for identifying, evaluating and recommending nominees to the Board of Directors and its committees, in consultation with the Chairman and the CEO. The Committee determines what competencies, skills and personal qualities it should seek in new board members to add value to the Company. In certain circumstances the Committee may retain outside consultants to conduct searches for appropriate nominees.

The Governance and Human Resources Committee assists the Board in applying governance principles and practices, and tracks developments in corporate governance, adapting best practices to the needs and circumstances of the Company. In particular, the Committee has reviewed and responded to the provisions under the Instrument and the Guidelines. The Committee will modify its practices and the practices of the Board and its other committees as necessary and from time to time to maintain a high standard of governance. In 2009, the Committee met five times.

#### **Real Estate Committee**

In July 2009, the Board established the Real Estate Committee to provide oversight to the real estate activities of the Couverdon division of the Company. The Real Estate Committee has specific authority to review Couverdon's annual operating and capital plan, provide on-going oversight, guidance and strategic input into management plans for sales, planning, entitlement and development of land and to provide a review function for management regarding major decision points within the Company's sales, planning, entitlement and development of land. In 2009, the Committee met two times.

#### **Mandate and Responsibilities of the Board**

The Board adopted "Terms of Reference for the Board", which is available on the Company's Website.

The Guidelines provide that a board of directors should explicitly assume responsibility for the stewardship of a corporation. The Board's terms of reference provide that the Board act in a supervisory role and that any responsibilities not delegated to management remain with the Board. In this regard, the Board approves the

corporate objectives which management is responsible for meeting and assesses management against these objectives. The Chairman of the Board is not a member of management.

The scope of the Board's supervisory role expressly includes such matters as the strategic planning process, identification and management of risks, internal controls, communications policy, succession planning and governance. To support it in its supervisory role, the Board expects management, among other things, to:

- undertake an ongoing review of the Company's strategies and their implementation in light of evolving conditions, and to present a comprehensive annual operating plan and report regularly on the Company's performance and results relative to that plan, as well as on the Company's business and other affairs, with a focus on matters of material consequence for the Company and its Unitholders;
- implement systems to identify, monitor and manage the principal risks of the Company's businesses;
- implement and maintain appropriate systems of internal controls and management information systems; and
- implement and maintain effective communications practices, ensuring timely and accurate reporting to investors and the capital markets.

The Guidelines recommend that a board of directors should assume responsibility for the adoption of a strategic planning process. Long-term goals and strategies for the Company are developed as part of an annual strategic planning process with the Board. The Company developed a long-term strategic plan and this plan is updated annually. The strategic planning process also includes the preparation of a detailed one-year operating plan. Through this process, led by the CEO and senior management of the Company, the Board adopts the operating plan for the coming financial year and monitors senior management's relative progress through a regular reporting and review process. The Board reviews, on a quarterly basis, the extent to which the Company has met the current year's operating plan.

The Guidelines recommend that a board of directors should identify a corporation's principal business risks and ensure implementation of appropriate risk management systems. The Board has identified the principal risks of the Company's business and monitors, through established systems and procedures, the efficiency and use of forestry resources and monetary resources as well as compliance with regulatory standards and ISO 14001 standards and certification under the Sustainable Forestry Initiative (SFI<sup>®</sup>) Program. The primary regulatory compliance risk relates to adherence to the Forest Practices Code of British Columbia, the Private Land Forest Practices Regulation of British Columbia and environmental standards. The Risk Management, Environment, Health and Safety Committee of the Board is responsible for establishing policy, practice and control mechanisms and for conducting regular reviews of issues and audits.

The Guidelines recommend that a board of directors should assume responsibility for the integrity of a corporation's internal control and management information systems. The Board, through its Audit Committee, meets with the Company's external auditors to discuss the results of the annual audit, which includes, in accordance with Canadian generally accepted auditing standards, consideration of internal controls in planning the audit. The Audit Committee also reviews the Company's internal control and management information systems with management annually as part of its financial risk assessment.

The Guidelines recommend that a board of directors should assume responsibility for a corporation's communications policy. The Company's Board reviews and approves the contents of major disclosure documents, including the Annual Consolidated Financial Statements and MD&A, the Quarterly Interim Reports and Interim MD&A, the Annual Information Form, this Information Circular, and all material press releases.

The Company's communications practices for communication with securities and investment analysts and the public are designed to avoid selective disclosure. In this regard:

- quarterly earnings conference calls are broadcast live over the internet and are accessible on a live and recorded basis;
- procedures are in place to provide timely information to investors and potential investors and to respond to investor inquiries and concerns;
- the CEO, the CFO and other senior executives meet periodically with financial analysts and institutional investors regarding the Company's results of operations;
- staff are also available to Unitholders by telephone and fax and the Company maintains comprehensive investor relations communications on the Company's website; and

- presentations made by senior management at investor conferences and other investor meetings are webcast and promptly made available on the internet.

In addition, the Company conducts an active Unitholder relations program, under the direction of the Chief Financial Officer of the Company. The program involves meeting with a broad spectrum of investors and potential investors, including open briefing sessions for analysts, investment fund managers and others with respect to reported financial results and other announcements by the Company. The Chief Executive Officer and the Chief Financial Officer report regularly to the Board with respect to these matters.

The Guidelines recommend that a board of directors should assume responsibility for succession planning, including appointing, training and monitoring senior management. Through its Governance and Human Resources Committee, the Board reviews all appointments of officers, including the CEO. The Governance and Human Resources Committee also has responsibility for assessing the requirements and performance, on an overall basis, of the CEO and other officers in order to recommend salaries and incentive awards for performance. The CEO has in place a process whereby senior managers develop objectives, review them with the CEO and are measured against them. Goals and objectives are also established each year for the CEO by the Board of Directors. The Board, through the Governance and Human Resources Committee, review and monitor the CEO and other executive officers of the Company to satisfy itself of the integrity of such officers and to oversee that they create a culture of integrity throughout the Company. In addition, position descriptions and terms of reference have been developed for the directors, the Chairman and the CEO. Delegations of authority have been implemented by the Board to define the limits of management's authority and responsibilities.

### **Code of Business Conduct and Ethics**

The Company's Board adopted a Code of Business Conduct and Ethics, which applies to all directors, officers and employees of the Company and a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (together, the "Codes"). These Codes were implemented by the Company in 2004 and can be found on the Company's Website. These Codes have also been filed with SEDAR at [www.sedar.com](http://www.sedar.com). The Board monitors compliance with the Codes by requiring that all employees have read and signed the Codes (as applicable to them) and by charging management with raising to the Board's attention any issues that arise with respect to the Codes. In addition, the Board has adopted a Whistle-Blower Procedure and process, which allows for anonymous submission of complaints or issues relating to the Codes or to any accounting or financial improprieties that may arise. Should any director or officer depart from or violate the Codes, a material change report may be required to be filed. There have been no such departures or violations, and hence no material change reports have been filed in 2009.

### **Decisions Requiring Prior Approval by the Board**

The Board has delegated to the CEO and senior management the responsibility for day-to-day management of the business of the Company, subject to compliance with the plans approved from time to time by the Board. In addition to those matters which must by law or by the Articles of the Company be approved by the Board, the Board has specified limits to management's responsibility and retains responsibility for significant changes in the Company's affairs such as approval of major capital expenditures, debt and equity financing arrangements and significant acquisitions and divestitures.

### **Expectations of Senior Management**

As part of its annual strategic planning process, the Board's expectations of senior management over the next financial year, and in the context of the longer-term strategic plan, are specified. As recommended in the Guidelines, the Board also reviews and approves the annual corporate performance objectives for which the CEO is responsible. The CEO and other members of the senior management team review the Company's progress at Board and committee meetings, normally held every quarter. The reviews report on strategic, operational and financial issues facing the Company.

### **Directors' and Officers' Liability Insurance**

The Company has purchased, at its expense, Directors' and Officers' Liability Insurance, which is split into two separate coverages in the insuring agreement. The first coverage relates to protection provided for directors and officers against liability incurred by them in their capacities as directors and officers of the Company and its subsidiaries. This section has a policy limit of \$50,000,000 for each claim, subject to an aggregate limit of

\$50,000,000 for the 12 months ending July 1, 2010. There is no deductible under this coverage that applies in circumstances where indemnification is not provided by the Company.

When the Company provides an indemnity to a director or officer, the second coverage applies and provides payment on behalf of the Company under the indemnity, subject to a deductible of \$100,000. This section has a policy limit of \$50,000,000 for the 12 months ending July 1, 2010.

### **Orientation and Continuing Education**

The Guidelines recommend that a corporation should provide an orientation and education program for new directors. In addition to having extensive discussions with the Chairman of the Board and the CEO with respect to the business and operations of the Company, a new director receives an orientation package, which includes a record of public and other information concerning the Company, prior Board briefing packages and prior minutes of meetings of the Board and applicable committees. Familiarization tours of both the Company's timberland operations and real estate properties are also provided. The CEO also keeps all members of the Board advised of significant events in both the Company and industry on a timely basis throughout the course of a year.

Each director assumes responsibility for keeping themselves informed about the Company's business and relevant developments outside the Company which affect its business. Individual directors also periodically attend conferences and seminars related to the industry and have toured operations of other companies in the industry. In addition, directors periodically attend professional development conferences and seminars related to audit, pension, governance and regulatory matters organized by professional organizations. Management assists directors by providing them with regular updates on relevant developments and other information which management considers of interest to the Board. The Board also meets regularly to discuss issues outside of the presence of management.

In addition, the directors annually take part in tours of the Company's operations in order to assist the directors in better understanding the Company's business. These tours include informal presentations and discussions with local management and employees. The Board also encourages senior management to ensure that employees who are seen as potential future senior executives of the Company interact with the Board from time to time to allow the Board members themselves to assess that future potential.

### **Assessments**

Ensuring the effectiveness of the Board is an ongoing process. A system for evaluation of the Board as a whole has been established and is performed annually.

Each year the Board reviews its own performance, the performance of each committee of the Board and the performance of the CEO. In 2009, the Company engaged an independent consultant to conduct a survey among directors to review the performance of the Board and the Chairman of the Board. The Board has not formalized an individual director peer assessment because the Board has determined the comprehensive performance assessment that it performs for the Board as a whole and its various committees gives the Chair sufficient information on individual directors performance.

### **Stapled Unit Ownership Guidelines for Directors**

In 2010, the Board implemented Stapled Unit ownership guidelines for directors. The goal is to have directors accumulate and hold a meaningful position of Stapled Units and convertible debentures over a three year period. The three year dollar target for directors is three times their annual retainer (cash plus equity). This represents a target level of investment of \$390,000 for the Chairman of the Board and \$150,000 for other independent directors. Directors are expected to reach this target level over a three year period in a gradual manner.

Ownership guidelines were also adopted for the Company's executive officers in 2010. The goal is to have Company executives accumulate and hold a meaningful position of Stapled Units and convertible debentures over a five year period. The five year dollar target for the CEO's position is two times annual salary, the target for the President and Chief Operating Officer of Couverdon is one and one-half times annual salary, and the target for vice presidents is one times annual salary. Recently appointed executives or newly appointed executives will be provided an additional two years to reach their target level in a gradual manner over the time period involved.

## Director Ownership

The following two tables set the number and value of all securities held by the directors.

Number of Securities Held						
Director Ownership at March 29, 2010						
Director		Vested Options (#)	Unvested Options (#)	Total Options (#)	Stapled Units (#)	Convertible Debentures (#)
V.E. Daughney		42,366	69,735	112,101	11,992	601
D.L. Emerson		Nil	37,841	37,841	11,420	Nil
R.J. Holmes		6,000	43,841	49,841	31,828	Nil
M.E. Howe		11,420	37,841	49,261	20,700	Nil
P.J. McElligott		217,541	556,070	773,611	76,657	1,331
R.W. Murdoch		14,000	41,841	55,841	15,020	Nil
C.A. Pinette		25,420	41,841	67,261	8,165	647
M.M. Pope		2,000	41,841	43,841	11,420	Nil

Value of Securities Held							
Director Ownership at March 29, 2010							
Director		Vested Options Value (\$)	Unvested Options Value (\$)	Total Options Value (\$)(1)	Stapled Units Value (\$) (1)	Convertible Debentures Value (\$) (2)	Total Value of all Equity Holdings (\$)
V.E. Daughney		30,833	61,670	92,504	55,523	60,137	208,164
D.L. Emerson		Nil	37,002	37,002	52,875	Nil	89,877
R.J. Holmes		Nil	37,002	37,002	147,364	Nil	184,366
M.E. Howe		18,500	37,002	55,503	95,841	Nil	151,344
P.J. McElligott		105,966	421,940	527,906	354,922	133,128	1,015,956
R.W. Murdoch		Nil	37,002	37,002	69,543	Nil	106,545
C.A. Pinette		18,500	37,002	55,503	37,804	64,740	158,047
M.M. Pope		Nil	37,002	37,002	52,875	Nil	89,877

(1) The value of the Stapled Units was calculated using the closing price of the Stapled Units on the Toronto Stock Exchange on March 29, 2010 of \$4.63.

(2) The value of the convertible debentures was calculated using the face value of the convertible debentures.

## EXECUTIVE COMPENSATION

### **Compensation Discussion and Analysis**

This section provides information regarding the compensation the Board intended the Company to pay, make payable, award, grant, give or otherwise provide to each person serving as the CEO and Chief Financial Officer in the 2009 fiscal year and each of the other executive officers serving in the 2009 fiscal year (collectively, the “Named Executive Officers”).

### ***Governance and Human Resources Committee***

The Governance and Human Resources Committee of the Board (the “Committee”) performs the functions of a compensation committee in the determination of compensation of the executive officers. The members of the Committee who served during the financial year ended December 31, 2009 were Messrs. Daughney, Emerson, Holmes until May 2009, and Murdoch. Each of these directors are independent directors and none of whom is a current chief executive officer of any public company.

### **Compensation Philosophy and Objectives**

The Committee reviews and makes recommendations to the Board regarding the remuneration of the senior management of the Company, including the CEO. The Committee recommends approval by the Board of salaries, bonuses, securities-related and other incentive plans, pensions and other benefit plans that would be considered compensation to senior management.

### ***Compensation Strategy***

Compensation is a key mechanism used by the Company to attract, retain and motivate employees with the skills and commitment needed to enhance unitholder value. The Company ensures that it provides competitive compensation by periodically engaging the services of external compensation consultants and regularly participating in executive compensation surveys. Most recently, the Committee retained the services of Towers Watson in 2010 to conduct a comprehensive competitive review of total direct compensation (salary and annual and long term incentives) for the Company’s executives. The Committee’s goal is to target senior management compensation at the market median for comparable Canadian publicly traded companies. The Committee and the Board take into consideration the advice from external consultants and other relevant information and factors when making the final decisions on the Company’s compensation policy.

Total compensation for senior management includes base salary, annual and long-term incentives, including but not limited to grant of Stapled Unit options and Distribution Equivalent awards, and a program of benefits and perquisites.

In addition to attracting and retaining a senior management team that demonstrates superior leadership skills and strategic management focus, the compensation strategy has the objective of linking the interests of the senior management group with those of the holders of Stapled Units. The Committee believes that its objectives can be met by providing for base salaries at levels prevailing in the marketplace, together with an emphasis on annual and long-term incentives based on the performance of the Company to provide total compensation competitive with a reference group of comparatively sized North American forest product and real estate companies with similar operations.

The Committee receives and considers recommendations of the CEO in relation to the base salary and annual and long-term incentives of the executive officers other than the CEO.

### ***Chief Executive Officer’s Compensation***

The Committee annually assesses the overall performance of the CEO on the basis of his contribution to:

- amount of distributable cash generated relative to the annual plan,
- the CEO’s performance relative to a set of goals and objectives established for his position each year by the Board at the beginning of each year,
- the strategic plan for the Company, and
- the management, including risk management and leadership, of the organization.

The Committee's assessment of Mr. McElligott's performance over fiscal year 2009 included how he performed relative to the goals and objectives established for his position at the start of the year. His key goals were to:

- Meet or exceed financial targets approved by the Board for 2009 at the corporate and divisional levels
- Preserve TimberWest's Environmental Certifications & Safety Record (as measured by MIR) as new long term contractors are introduced into the timberlands operation.
- Ensure a smooth transition to the sub-divided contractor model and deliver the projected operating savings
- Meet or exceed targets for zoning changes, annexation, and the completion of master plans for six development nodes
- Review Couverdon structure and staffing levels and make the appropriate adjustments required to achieve its five year business plan
- Working with the Governance and Human Resources Committee and outside compensation specialists, design and implement an improved annual and long term incentive compensation plan for the Company's management employees
- Update the long term strategic plan for review by the board
- Continue to review financing alternatives
- Represent TimberWest effectively with various stakeholder groups including government, media, customers, employees, communities, the forest industry, and investment community

The Committee assesses the CEO's performance in achieving the goals and objectives set out for each year by the Board. The Committee's assessment is considered by the Board in (i) annually assessing whether Mr. McElligott's base salary is competitive; (ii) annually assessing whether an award under the Company's Senior Management Annual Incentive Plan (the "Annual Incentive Plan") described under "Annual Cash Incentives" has been achieved (iii) granting long term incentive awards, including Stapled Unit options and Distribution Equivalent awards to the CEO.

#### ***Senior Management Base Salary, Benefits and Perquisites***

As described above, base salary and benefits and perquisites for senior management have been recommended to the Board with the assistance of independent consultants and on the basis of market surveys sponsored by the independent consultants in relation to the reference group. The CEO and other executive officers are compared to executives occupying similar positions in the reference group.

The performance of other executive officers is assessed by the CEO through the Company's performance management process. Individual goals and objectives are set annually for each executive officer and following the end of the year the CEO makes an assessment regarding the performance of the other executive officers in achieving their goals and objectives. This assessment is considered by the Committee and Board in (i) annually assessing whether the executive officer's base salary is competitive; (ii) annually assessing whether an award under the Annual Incentive Plan has been achieved (iii) granting long term incentive awards, including Stapled Unit options and Distribution Equivalent awards to the executive officer.

#### ***Annual Cash Incentives***

The Company has in place a formal plan, known as the Senior Management Annual Incentive Plan which defines objective criteria governing the payment of cash incentives. The intention of the Annual Incentive Plan is to encourage senior management to focus on strategies and results. The Annual Incentive Plan also allows a measure of subjective discretion for the Committee and the CEO to differentiate incentive compensation paid on the basis of individual performance.

A target award is established for each participant in the Annual Incentive Plan using a percentage of base salary. The target award for members of senior management (other than the CEO) for achieving 100% of the Company's target performance was established at 35% of salary. Of the 35%, 25% is non-discretionary and 10% is discretionary. For the CEO, the target award for achieving 100% of the Company's target performance was established at 50% of salary. Of the 50%, 35% is non-discretionary and 15% is discretionary. Non-discretionary award amounts are determined for all participants based on the actual performance of the Company or its Couverdon real estate division relative to its target for the financial year.

Maximum awards are paid if the Company achieves 120% of its target performance. If the Company achieves 120% of its target performance, the maximum awards are 70% of salary for members of senior management. The maximum award for the CEO is 100% of salary. At the maximum award level, 15% of such award is discretionary for senior management and 25% is discretionary for the CEO.

The Committee uses its discretion from time to time to award bonuses for special or specific projects that are completed during the year.

The Company sets annual performance targets for the Company overall and for Couverdon, the Company's real estate division. In 2009, Couverdon reached its performance target while overall target results for the Company were not achieved. Some executives, such as the CEO, have 100% of their annual incentive entitlement tied to how the Company performs overall. Others, such as the Vice President, Timberland Operations, have 25% of their annual incentive plan tied to the performance of the Couverdon division. This recognizes the important support role that some functions in the timberlands division play in Couverdon's success.

For the year 2009, no incentive bonus was awarded to the CEO. Bev Park was appointed President and COO of Couverdon in March 2009 while continuing her role as Chief Financial Officer. She was awarded a \$76,500 bonus for her contribution to Couverdon's success. Dave Whiteley, Vice President, Timberland Operations, has 25% of his bonus entitlement tied to Couverdon and he was awarded an incentive payment of \$35,000 for the role that he played in supporting Couverdon's efforts. A discretionary bonus award of \$17,500 was paid to John Kelvin, Vice President, Log Marketing and Sales for 2009.

During 2008 no annual cash incentives were paid to any of the Named Executive Officers.

### **Annual Incentive Plan, 2010**

The Company has amended the Annual Incentive Plan for the 2010 financial year. Incentive awards will be determined for executives based on a combination of corporate, divisional and individual performance. Each component will be measured separately. The Board will establish the corporate and divisional targets for the executives as well as the individual performance targets for the CEO. The CEO is responsible for setting individual performance targets for each of the executive officers.

For 2010, the corporate target is a distributable cash measure. Divisional performance will be measured using both financial and non-financial targets. The targets for the timberland division will be operating cash flow as well as safety and environmental performance. The targets for Couverdon are operating cash flow and rezoning achievements.

Target levels of performance are based on a range of possible achievements. If less than the minimum of the range is achieved, annual incentive awards will not be made. If target performance is achieved then 100% of the target payout will be awarded. If the maximum level of performance is achieved, then twice the target payout level will be awarded.

The Board reserves the right to make no payouts on the annual incentive plan regardless of targets being achieved if they determine in their sole discretion that the financial condition of the business has deteriorated to an unacceptable level. For 2010, this will be considered on the basis of debt levels.

### ***Stapled Unit Option Plan***

On April 27, 2007, the Unitholders approved the amended and restated Stapled Unit Option Plan of the Company, initially adopted as of March 1, 2000, pursuant to which directors, officers or employees of the Company or of any of its subsidiaries who are in active service or employment with the Company or any of its subsidiaries (defined under the Stapled Unit Option Plan as "Eligible Persons") may be granted options to purchase Stapled Units.

The purpose of the Stapled Unit Option Plan is to promote the interests of the Company by (i) furnishing certain directors, officers and employees of the Company and its subsidiaries with greater incentive to further develop and promote the business and financial success of the Company, (ii) furthering the identity of interests of persons to whom options may be granted with those of the Unitholders generally through securities ownership in the Company and (iii) assisting the Company in attracting, retaining and motivating its directors, officers and employees.

The Committee exercises its discretion under the Stapled Unit Option Plan to provide a target level of incentive based on a percentage of base salary. The percentage of base salary varies with the seniority of the employees' positions. In February, 2004, the Board established a maximum annual grant level and a maximum number of outstanding options a participant may hold at a maximum of five times an annual grant level.

As a matter of normal practice, the Committee typically makes grants of options under the Stapled Unit Option Plan in the first quarter of the year following the year to the grant relates, as part of the compensation in relation

to such prior year. The Committee consults with and receives recommendations from the CEO regarding grants of options to other executive officers and employees. In determining to grant options, the Committee takes into account previous grants of options to the grantee and others.

The total number of options granted to employees in 2009 was 1,422,399 representing grants to the CEO and other executives, senior management and employees. 296,928 options were granted to directors in 2009, including a new director who was appointed in March. The total number of options granted to employees in 2008 was 209,844, representing grants to the CEO and other executives, senior management and employees. 52,000 options were granted to directors in 2008, including a new director who was appointed in April. The total number of options granted to employees in 2007 was 293,670, representing grants to the CEO and other executives, senior management and employees, including two new vice-presidents who were appointed in May and June. 46,000 options were granted to directors in 2007, including a new director who was appointed in April. In 2006, 205,238 options were granted to the CEO and other executives, senior management and employees. 40,000 options were granted to directors in 2006. In 2005, 302,998 options were granted to the CEO and other executives, senior management and employees and 46,000 options were granted to directors, including a new director who was appointed in April. In 2004, 273,220 options were granted to the CEO and other executives, senior management and employees and 40,000 options were granted to directors.

At the same time all persons granted such options were awarded the same number of distribution equivalent awards under the Company's Distribution Equivalent Plan, with the same expiry date and vesting terms as the corresponding options.

### ***Distribution Equivalent Plan***

On November 24, 2001, the Board approved and the Company adopted a Distribution Equivalent Plan pursuant to which directors, officers or employees of the Company or any of its subsidiaries who are in active service or employment with the Company or any of its subsidiaries may be granted distribution equivalent awards under the Distribution Equivalent Plan.

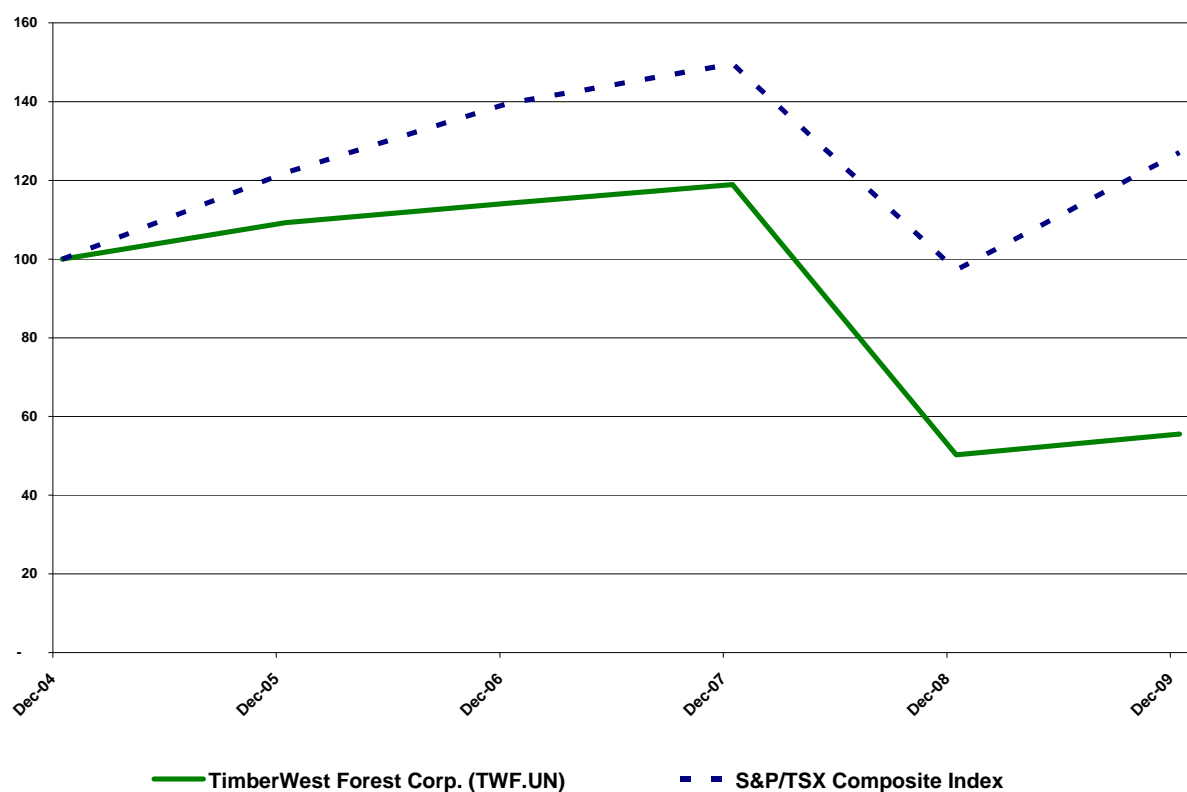
The purpose of the Distribution Equivalent Plan is very similar to that of the Stapled Unit Option Plan. It is intended to complement the Stapled Unit Option Plan so that recipients of options, by receiving corresponding distribution equivalent awards, will, upon exercise of the relevant options, have the benefit of distributions paid by the Company in respect of Stapled Units subject to the granted options. The Distribution Equivalent Plan does not involve issuance of Stapled Units from treasury of the Company.

The Distribution Equivalent Plan is administered by the Committee. Subject to determination otherwise by the Company at the time of grant, a person who is granted options to acquire Stapled Units under the Company's Stapled Unit Option Plan will be granted the same number of awards under the Distribution Equivalent Plan and such awards will have the same expiry date and vesting terms as the corresponding granted options. The awards granted under the Distribution Equivalent Plan will only be exercisable at the same time when and if the corresponding options are exercised. At any time and from time to time, when the Company pays any distribution on the Stapled Units, the Company will pay to the trustee of the trust formed in relation to the Distribution Equivalent Plan an amount proportionate to such paid distribution based on the number of awards granted under the Distribution Equivalent Plan. After receipt from the Company, the trustee will use such payment to purchase Stapled Units through the Toronto Stock Exchange for the trust. When a participant exercises vested awards under the Distribution Equivalent Plan at the time of exercise of the corresponding options, the trustee will release the applicable number of Stapled Units held in trust to that participant in accordance with the terms of the Distribution Equivalent Plan. If the underlying Stapled Unit options are forfeited or expire, the Distribution Equivalent awards revert to the Company.

## Performance Graph

The following line graph and succeeding table illustrate the Company's five-year total unitholder return (assuming reinvestment of distributions on each payment date) on the Stapled Units, assuming an initial investment of \$100 on January 2, 2005, with the cumulative total return, assuming a corresponding investment with all dividends and distributions reinvested, in respect of the S&P/TSX Composite Index compiled by the Toronto Stock Exchange. The S&P/TSX Composite Index is a total return index, including dividends reinvested.

The trend shown by the performance graph below represents growth in unitholder returns through most of 2007, followed by a decrease. Executive compensation has moved in tandem with the performance of the business over the past five years. For 2007 and 2008, no annual incentive awards were made for general corporate performance; discretionary awards were made only for exceptional performance on special projects. The value of the long term incentive plan from 2007 to 2009 has also diminished materially such that as of today, the average cost base of the option-based plan for all executives in the plan is above the current market price. No executive salary increases have been granted from 2007 to 2009 except for those related to promotions for two executives.



	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
TimberWest Forest Corp.	\$100	\$109	\$114	\$119	\$50	\$56
S&P/TSX Composite Index	\$100	\$122	\$140	\$150	\$97	\$127

## Summary Compensation Table

The following table sets out the compensation earned from the Company and its subsidiaries by the Named Executive Officers during the financial years ended December 31, 2009 and December 31, 2008. The Company only has four executive officers, including the chief executive officer and the chief financial officer.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>(3)</sup>	Total compensation (\$)
					Annual incentive plans <sup>(2)</sup>	Long-term incentive plans			
PAUL J. McELLAGOTT President and Chief Executive Officer	2009	470,385	Nil	376,310	Nil	Nil	105,000	25,000	976,695
	2008	470,385	Nil	376,310	Nil	Nil	(42,900)	333,413	1,137,208
BEVERLEE F. PARK Executive Vice-President and Chief Financial Officer	2009	293,803 <sup>(4)</sup>	Nil	120,000	76,500	Nil	35,453	Nil	525,756
	2008	275,213	Nil	110,083	Nil	Nil	36,894	91,706	513,896
JOHN A. KELVIN Vice-President, Log Marketing & Sales	2009	257,538	Nil	103,015	17,500	Nil	30,917	Nil	408,970
	2008	257,538	Nil	103,015	Nil	Nil	31,727	52,621	444,901
DAVID J. WHITELEY Vice-President, Timberland Operations	2009	240,854 <sup>(4)</sup>	Nil	90,602	35,000	Nil	28,905	Nil	395,361
	2008	226,500	Nil	90,602	Nil	Nil	25,718	28,793	371,613

(1) For 2009, represents the grant date fair value of options to purchase Stapled Units granted during the relevant financial year. In determining the grant date fair value of the options, a Black-Scholes factor of \$0.96 was used based on the following assumptions (i) risk-free interest rate: 3.6-3.8%; (ii) expected volatility in the market price : 26.0%; (iii) expected distribution yield: 0.0%; and (iv) expected lifetime: 5 years. The options are accompanied by Distribution Equivalent Awards. See footnote (1) in the table for "Incentive Plan Awards Outstanding at the End of the Most Recently Completed Financial Year". The grant date fair value of the options does not include any incremental value for accompanying Distribution Equivalent Awards. Distribution Equivalent payments made to the trustee under the Distribution Equivalent Plan with respect to the vested awards are included in the "All other compensation" column. The grant date fair value differs from the accounting for the options issued in 2009. The accounting value has been determined using the intrinsic value method and is disclosed in Note 18 of the Consolidated Financial Statements for the years ended December 31, 2009 & 2008.

For 2008, the Board determined the value it intended to award as compensation and ascribed the grant date fair value of options granted in 2008 to be \$5.50. The grant date fair value of the options does not include any incremental value for accompanying Distribution Equivalent Awards. Distribution Equivalent payments made to the trustee under the Distribution Equivalent Plan with respect to the vested awards are included in the "All other compensation" column. The ascribed grant date fair value differs from the accounting fair value of \$0.81 using a Black-Scholes model determined in accordance with Section 3870 of the CICA Handbook.

(2) The annual incentive bonus payments are reported in the financial year in which they are earned, not in the year in which they are actually paid. They are paid in cash in the year following the financial year in which they were earned. In 2009, the CEO did not receive an annual incentive award. No annual incentive awards were earned in 2008.

(3) All other compensation includes additional cash pension payments of \$25,000 to Mr. McElligott. Perquisites and other personal benefits provided to Named Executive Officers in 2009 did not exceed, with respect to any Named Executive

Officer, the lesser of \$50,000 and 10% of the total annual salary of such Named Executive Officer. This column includes aggregate amounts paid by the Company to the trustee of the trust formed in relation to the Distribution Equivalent Plan with respect to vested awards awarded to the Named Executive Officers. In 2009, no amounts were paid by the Company to the trustee as the Company did not pay cash distributions on the underlying Stapled Units. In 2008, amounts paid to the trustee were: Mr. McElligott: \$307,254; Ms. Park: \$87,331; Mr. Kelvin: \$49,241; and Mr. Whiteley: \$25,444.

(4) 2009 salary increases related to the assumption of additional responsibilities.

### Incentive Plan Awards Outstanding at the End of the Most Recently Completed Financial Year

The following table sets forth information concerning outstanding options to purchase Stapled Units granted to the Named Executive Officers and includes awards granted before the most recently completed financial year, in their capacities as executive officers of the Company, as at December 31, 2009.

Name	Option -based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units that have not vested (#)	Market or payout values of share-based awards that have not vested (\$)
Paul J. McElligott	63,230	15.80	2/8/2010	Nil	Nil	Nil
	64,810	13.94	2/8/2011	Nil	Nil	Nil
	64,810	16.26	2/8/2012	Nil	Nil	Nil
	68,420	5.45	11/16/2013	Nil	Nil	Nil
	390,685	3.01	2/16/2014	519,611	Nil	Nil
Beverlee F. Park	17,310	15.80	2/8/2010	Nil	Nil	Nil
	17,743	13.94	2/8/2011	Nil	Nil	Nil
	19,530	16.26	2/8/2012	Nil	Nil	Nil
	20,015	5.45	11/16/2013	Nil	Nil	Nil
	124,585	3.01	2/16/2014	165,698	Nil	Nil
John A. Kelvin	14,680	15.80	2/8/2010	Nil	Nil	Nil
	17,743	13.94	2/8/2011	Nil	Nil	Nil
	17,750	16.26	2/8/2012	Nil	Nil	Nil
	18,730	5.45	11/16/2013	Nil	Nil	Nil
	106,951	3.01	2/16/2014	142,245	Nil	Nil
David J. Whiteley	5,800	15.80	2/8/2010	Nil	Nil	Nil
	6,350	13.94	2/8/2011	Nil	Nil	Nil
	7,120	16.26	2/8/2012	Nil	Nil	Nil
	3,000	16.64	6/18/2012	Nil	Nil	Nil
	16,473	5.45	11/16/2013	Nil	Nil	Nil
	94,061	3.01	2/16/2014	125,101	Nil	Nil

(1) The options entitle the holder to acquire Stapled Units of the Company upon exercise. These options become vested and eligible for exercise over a three-year period, with one-third of the annual grants exercisable after one year, two-thirds after two years and all exercisable on the third anniversary. The Company adopted a Distribution Equivalent Plan on November 24, 2001. Subject to determination otherwise by the Company at the time of grant, a person who is granted options to acquire Stapled Units under the Company's Stapled Unit Option Plan will be granted the same number of awards under the Distribution Equivalent Plan and such awards will have the same expiry date and vesting terms as the corresponding options that are granted. The awards granted under the Distribution Equivalent Plan will only be exercisable at the same time when and if the corresponding options are exercised. At any time and from time to time, when the Company pays any distribution on the Stapled Units, the Company will pay to the trustee of the trust formed in relation to the Distribution Equivalent Plan an amount proportionate to such distribution based on the number of awards granted under the Distribution Equivalent Plan. After receipt from the Company, the trustee will use such payment to purchase Stapled Units through the Toronto Stock Exchange for the trust. When a participant exercises vested awards under the Distribution Equivalent Plan at the time of exercise of the corresponding options, the trustee will release the applicable number of Stapled Units held in the trust to that participant in accordance with the terms of the Distribution Equivalent Plan.

(2) The closing price of the Stapled Units on the Toronto Stock Exchange on December 31, 2009 was \$4.34. The closing price of the Stapled Units on the Toronto Stock Exchange on December 31, 2008 was \$3.54. Subsequent to December 31, 2009, on March 20, 2010, Mr. McElligott was awarded 250,000 options, Ms. Park was awarded 102,000 options, Mr. Kelvin was awarded 64,384 options and Mr. Whiteley was awarded 63,250 options. The March 20, 2010 options had a grant price of \$5.25 per Unit.

### Incentive Plan Awards – value vested or earned during the year

The following table sets forth information concerning the value of incentive plan awards that vested or were earned during the year.

Name	Option-based awards - Value vested during the year <sup>(1)</sup> (\$)	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Paul J. McElligott	Nil	Nil	Nil
Beverlee F. Park	Nil	Nil	76,500
John A. Kelvin	Nil	Nil	17,500
David J. Whiteley	Nil	Nil	35,000

(1) All options that vested during the year had an exercise price that exceeded the market price of the underlying securities on the vesting date. Under the Company's Distribution Equivalent Plan, at any time and from time to time, when the Company pays any distribution on the Stapled Units, the Company is to pay to the trustee of the trust formed in relation to the Distribution Equivalent Plan an amount proportionate to such distributions based on the number of awards granted under the Distribution Equivalent Plan. During 2009 the Company did not pay any distributions on the Stapled Units so no payments were made to the trustee. See footnote (1) in the table for "Incentive Plan Awards Outstanding at the End of the Most Recently Completed Year".

### Retirement Plans

The following table sets forth information regarding all defined benefit pension plans, excluding defined contribution plans, that provide for payments or benefits to any of the Named Executive Officers, at, following, or in connection with retirement.

Name	Number of years credited service (#)	Annual benefits payable (\$)		Accrued obligation at start of year (\$)	Compensatory change (\$)	Non-Compensatory change (\$)	Accrued obligation at year end (\$)
		At year end	At age 65				
Paul McElligott	9	128,000	222,000	1,071,000	105,000	214,000	1,390,000

(1) The compensatory change is comprised of the cost of benefits earned during the year.

(2) The non-compensatory change captures the increase in the accrued benefit obligation at year-end related to the reduction in the discount rate used to calculate the obligation. The accrued obligation at the beginning of the year was determined using a 7.25% discount rate. The accrued obligation at the end of the year was determined using a 6% discount rate. For additional information on assumptions related to the Defined Benefit pension plan see Note 16 of the audited Consolidated Financial Statements of the Company for the year ended December 31, 2009, available at [www.sedar.com](http://www.sedar.com).

Mr. McElligott is a member of the defined benefit segment (“DB segment”) of the Supplemental Retirement Plan for Senior Management (“Supplemental Plan”). Under the DB segment, the member’s pension payable at age 65 is determined by multiplying his credited service by 2% of his best average pensionable earnings. Supplemental Plan benefits are offset by the benefits earned under the Company’s Base Pension Plan, which has a 1.3%/2.0% integrated final average earnings formula. Neither Plan is subject to deductions for Canada Pension, social security or other offset amounts. The normal form of pension under the Supplemental Plan is a life annuity with a spousal benefit of 60% of the member’s pension. Retirement benefits vest after two years of Plan participation or the attainment of age 55, whichever occurs first.

Mr. McElligott’s years of credited service are currently 9 and will be 17.25 years at age 65, his normal retirement date. Under the Supplemental Plan, pensionable earnings include salary and 50% of annual cash incentives. Pensionable earnings in the Base Pension Plan include salary and all annual cash incentives. The value of options or other long term incentives are not included as pensionable earnings under either plan. Pensionable earnings are averaged over the highest consecutive 60 months of compensation during the final 10 years of service. Mr. McElligott’s average pensionable earnings at December 31, 2009 are \$571,729 under the Supplemental Plan and \$686,223 under the Base Pension Plan.

To clarify, based on Mr. McElligott’s current service of 9 years, his accrued pension at age 65 is \$102,911 ( $\$571,729 \times 2\% \times 9$  years). At age 65, based on his current pensionable earnings, his pension will be \$197,246 ( $\$571,729 \times 2\% \times 17.25$  years).

The non-cash pension expense charged to the Company’s net earnings for 2009 in relation to the defined benefit segment of the Retirement Plan for Salaried Employees (the Company’s Base Pension Plan) for Mr. McElligott was \$57,000. In 2009, the Company contributed nil to the Plan with respect to Mr. McElligott due to the Plan having a surplus as of December 31, 2006. No employer contributions are permitted until the results of the next actuarial valuation of the Plan are approved. The effective date of the next valuation will be December 31, 2009.

The total obligations related to the Supplemental Plan for Mr. McElligott are secured by Letters of Credit. The non-cash pension expense charged to the Company’s net earnings for 2009 in relation to the Supplemental Plan for Mr. McElligott was \$143,000.

Mr. McElligott is receiving an additional pension of \$25,000 per year. This commenced in April, 2008.

Other Named Executive Officers (Park, Kelvin, and Whiteley) are members of the defined contribution segment (“DC segment”) of the Supplemental Plan. Under the DC segment, the Company allocates 12% of the member’s pensionable earnings, minus contributions made to the Company’s Base Pension Plan, to individual retirement accounts. Pensionable earnings under the DC segment of the Supplemental Plan include salary and 50% of annual cash incentives. Contributions to DC member accounts in the Base Pension Plan consist of 7% of salary and annual cash incentives. Pensionable earnings do not include the value of options or other long term incentives in either the Base or Supplemental Plans. The contributions that are allocated to the Supplemental Plan are held in notional accounts, to which the Company also allocates investment earnings equal to the average returns in the balanced funds of the Company’s Base Pension Plan. Such allocations may be positive or negative. The obligations related to the Named Executive Officers under the Supplemental Plan are secured by letters of credit.

The following table sets forth information regarding all pension plans that provide for payments or benefits to Named Executive Officers at, following or in connection with retirement, excluding defined benefit plans. The obligations related to the Supplemental Plan are secured by letters of credit.

Name	Defined & Supplemental Contribution Pension Plan			Accumulated Value at Year End
	Accumulated Value at Start of Year (\$)	Compensatory (\$)	Non-Compensatory (\$)	
Beverlee F. Park	381,829	35,453	75,824	493,106
John A. Kelvin	821,700	30,917	93,555	946,172
David J. Whiteley	300,999	28,905	56,378	386,282

(1) The compensatory change is comprised of employer cash contributions paid in the year to the base plan and non-cash notional allocations for the year related to the supplemental plan.

(2) The non-compensatory change is comprised of regular investment earnings credited during the year for the base plan and notional earnings based on a performance indicator credited during the year for the supplemental plan.

The non-cash pension expense charged to the Company's net earnings for 2009 in relation to the Supplemental Plan for the Named Executive Officers was \$81,000.

## Termination and Change of Control Agreements

### *Employment Agreements*

The Company entered into an employment contract with Mr. McElligott for a term of three years commencing January 22, 2001, subject to automatic renewal of further three year terms unless either party gives written notice of non-renewal not less than 90 days prior to the expiry of the relevant term. The contract was renewed in 2010 for another three years, through to 2013, subject to the automatic renewal term. Nonetheless, the Company may terminate the employment of the executive upon death, breach of the employment agreement or for cause without making severance payments. In addition, the executive may terminate his employment at any time upon at least six (6) weeks written notice.

The employment agreement for Mr. McElligott provides that if the Company terminates the employment of the executive for any reason other than those stated above or takes any action which could be construed as constructive dismissal, then the executive is entitled to the following amounts, subject to applicable withholdings:

- (i) An amount equal to twenty four (24) months base salary, where severance is payable within 30 days of the termination date and not subject to mitigation;
- (ii) twenty four (24) months of the average annual "Senior Management Annual Incentive Plan" incentive earned in the twenty four (24) months prior to termination;
- (iii) Executive prerequisites, insurance and other company benefits, will be maintained on a month to month basis for up to twenty four (24) months;
- (iv) Severance payments will not be considered as "earnings" for pension purposes. However, twenty four (24) additional months of service in the Pension Plans will be recognized past the termination date for Mr. McElligott;
- (v) All options issued under the Stapled Unit Option Plan and all awards granted under the Distribution Equivalent plan to the Executive on or before the termination date become vested at the termination date and must be exercised within 90 days of the termination date;

- (vi) The payment of any earned but unused vacation days and any amounts due under the executive's business expense accounts, as authorized.

The following table shows estimated incremental payments triggered pursuant to termination of employment of Mr. McElligott in accordance with the termination provisions described above, assuming that the triggering events described above took place on December 31, 2009:

Named Executive	Severance (\$) <sup>(1)</sup>	Cost of Benefits (\$) <sup>(2)</sup>	Cost of Option Vesting (\$)	Total (\$)
PAUL J. MCELLOGOTT	940,770	282,231	-	1,223,001

(1) Does not include unpaid annual salary to termination date or pro-rated bonus for year of termination.

(2) Assumes 30% benefit costs for CEO.

Mr. McElligott's employment agreement provides that he shall retire any time after attaining the age of 60 years, at the option of the Company, with no compensation. In the event the Company requests retirement, the Company and the Executive will agree on a reasonable termination date and public announcement.

The Company does not have employment agreements with any of the other Named Executive Officers.

#### ***Change of Control Agreements***

The Company has entered into change of control agreements (the "Change of Control Agreements") with each of the Named Executive Officers. Under such agreements, in the event of a potential change of control (as defined in the Change of Control Agreements), or within 24 months following a change of control, the executive's employment with the Company or with a successor to all or substantially all of the business of the Company shall be terminated, by the Company or such successor for any reason whatsoever other than excluded termination or, by the executive for good reason, the following provisions will apply:

- (a) The executive shall be entitled to receive, and the Company will pay to the Executive, immediately following the date of termination of employment and in any event within 30 days of such date, a lump sum cash amount (subject to statutory deductions and withholdings) equal to the aggregate of the following:
  - (i) A severance amount determined by multiplying the annual compensation by the number of years (or calendar months thereof expressed as a fraction with twelve (12) as the denominator) in the severance period;
  - (ii) the unpaid annual base salary to the date of termination of employment;
  - (iii) an amount in lieu of bonus for the calendar year in which the date of termination of employment occurs, determined by multiplying 12 times the average monthly bonus over 24 months preceding the date of termination in the case for Mr. McElligott, in the case of Ms. Park and Messrs. Kelvin and Whiteley the average of the percentage bonus for the three (3) complete calendar years immediately preceding termination date multiplied by the base annual salary. The "percentage bonus" calculation excludes any signing bonus or similar one-off non-recurring bonus payment;
  - (iv) any other amounts to which the executive is entitled at law or under any other terms and conditions of the executive's employment with the Company;
  - (v) unless the Company and the executive otherwise agree in writing, the executive shall continue to receive, until the end of the severance period, all benefits, fringe benefits and prerequisites including, without limitation, health, dental, life insurance, pension and savings plan benefits and car allowance on the scale provided by the Company as at the date of termination, and the executive will continue to accrue throughout the severance period pension benefits;
  - (vi) if at the date of termination the named executive holds options under the Option Plan or DE awards under the DE Plan, all options and DE Awards so held shall immediately vest to the

extent they have not already vested at such date, and shall continue to be held on the same terms and conditions applicable to such options and awards and shall be exercised as if the executive continued to be employed by the Company until the end of the severance period;

- (vii) the Company will provide or cause to be provided to the executive career counselling and relocation support of the quality and extent being provided to senior executives of similar status according to prevailing practice.

Severance may be triggered after a Change of Control by any of the following:

- (i) Substantial reduction in the responsibilities or status of the executive without the executive's express written consent
- (ii) Reduction by the Company in the executive's annual base salary
- (iii) Material adverse changes to the executive's benefits, including incentives, compensation, pension, life insurance, health, accident disability and other similar plans in which the executive is participating at the date hereof
- (iv) The requirement that the executive relocate, substantially increased business travel or failure to reimburse executive for costs associated with relocation or business travel
- (v) Failure of the company to obtain from a successor an agreement to be bound by the change of control agreement
- (vi) Any reason that would be considered to be constructive dismissal by a court of competent jurisdiction.

Change of control covered compensation multiples are set out at three times for the CEO and two times for CEO direct reports. The following table sets out the payments that would have been made to the Named Executive Officers in the event that such an executive was terminated without cause or terminated for good reason on December 31, 2009 or within 24 months following the change of control.

Name	Termination Provisions Value <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup> (\$)
PAUL J. McELLIOTT	1,834,502
BEVERLEE F. PARK	750,000
JOHN A. KELVIN	643,845
DAVID J. WHITELEY	632,500

- (1) Does not include unpaid annual salary to termination date or pro-rated bonus for year of termination.
- (2) Assumes 30% benefit costs for CEO and 25% for VP's.
- (3) Signing, discretionary, or similar one-off non-recurring bonus payments are not included

## DIRECTOR COMPENSATION

The directors of the Company who are not employees of the Company are entitled to compensation for services rendered and to be reimbursed for expenses incurred in the performance of the duties of a director of the Company.

The Governance and Human Resources Committee of the Board reviews the amount and form of compensation for directors. From time to time, based on this review, the Committee makes recommendations to the Board for approval of appropriate adjustments or changes to the amount and form of such compensation. In making such recommendations the Committee considers the time commitment, risks and responsibilities of directors as well as general comparative data, including data derived from broad-based director compensation surveys and reports prepared or published by independent compensation consultants.

From time to time the Committee engages an independent compensation consultant to conduct a review of the Company's compensation for directors. However, decisions as to compensation are made by the Committee and the Board and reflect various factors, including information and advice received from external consultants and are not solely made based on recommendations, if any, received from consultants. In January, 2010, the Company retained Towers Watson to conduct a high level review of the competitiveness of the Company's compensation for directors.

Annual compensation is \$20,000 for each director, plus \$1,500 for each meeting of the Board or a committee of the Board attended. The Chairman of the Board is paid annual compensation of \$80,000. Each member of a committee of the Board (other than the chair of the committee) is paid an annual fee of \$3,000, and a chair of a committee of the Board is paid an annual fee of \$4,500, except for the chair of the Audit Committee who is paid an annual fee of \$12,000. In addition, directors traveling from out of province are paid a travel fee of \$1,500 per trip.

Directors may, from time to time, be requested to carry out special assignments by the Board and are compensated at a rate of \$1,000 per day for such services.

In addition to annual retainers and meeting fees, non-executive directors are eligible to be granted options to acquire Stapled Units under the Stapled Unit Option Plan of the Company and distribution equivalents under the Company's Distribution Equivalent Plan. The Stapled Unit Stock Option Plan is more fully described under "Executive Compensation Stapled Unit Option Plan" on page 21 and "Securities Authorized for Issuance Under Equity Compensation Plans" on page 35. The Distribution Equivalent Plan is more fully described under "Executive Compensation-Distribution Equivalent Plan" on page 22.

Mr. McElligott, who is also an employee of the Company, is not entitled to and has not received any of the compensation described above but receives compensation as the President and Chief Executive Officer of the Company as disclosed in the section under "Executive Compensation".

During 2009, the non-employee directors who were serving at that time were each granted options to acquire 34,261 Stapled Units under the Company's Stapled Unit Option Plan with an exercise price of \$3.01, except for the Chairman who was granted options to acquire 57,101 Stapled Units with an exercise price of \$3.01. Ms. Howe was granted an option to acquire 34,261 Stapled Units with an exercise price of \$2.61 on March 4, 2009. During 2008, the non-employee directors who were serving at that time were each granted options to acquire 6,000 Stapled Units with an exercise price of \$5.45, except for the Chairman who was granted options to acquire 10,000 Stapled Units with an exercise price of \$5.45. During 2007, the non-employee directors were each granted options to acquire 6,000 Stapled Units with an exercise price of \$16.26, except for the Chairman who was granted options to acquire 10,000 Stapled Units with an exercise price of \$16.26 and Mr. Holmes was granted options to acquire 6,000 Stapled Units in April 2007 with an exercise price of \$17.20. In each case, at the same time the directors granted such options were awarded the same number of distribution equivalent awards under the Company's Distribution Equivalent Plan, with the same expiry date and vesting terms as the corresponding options. Effective 2010, the directors have adopted share ownership guidelines – see "Stapled Unit Ownership Guidelines for Directors" page 17.

The following table sets out the compensation for each director for the year ended December 31, 2009.

Name	Fees earned (\$)	Share based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$) <sup>(2)</sup>	Total (\$)
<b>William C. Brown</b> <sup>(3)</sup>	18,683	NIL	33,000	NIL	NIL	0	51,683
<b>V. Edward Daughney</b>	106,500	NIL	55,000	NIL	NIL	0	161,500
<b>David L. Emerson</b>	45,167	NIL	33,000	NIL	NIL	0	78,167
<b>Robert J. Holmes</b>	58,500	NIL	33,000	NIL	NIL	1,500	93,000
<b>Maureen E. Howe</b>	33,167	NIL	33,000	NIL	NIL	0	66,167
<b>Robert W. Murdoch</b>	61,000	NIL	33,000	NIL	NIL	0	94,000
<b>Conrad A. Pinette</b> <sup>(4)</sup>	59,500	NIL	33,000	NIL	NIL	0	92,500
<b>Maria M. Pope</b>	60,500	NIL	33,000	NIL	NIL	0	93,500

(1) Represents the grant date fair value of options to purchase Stapled Units granted during the relevant financial year. In determining the fair value of the options, a Black-Scholes factor of \$0.96 was used based on the following assumptions (i) risk-free interest rate: 3.6-3.8%; (ii) expected volatility in the market price : 26.0%; (iii) expected distribution yield: 0.0%; and (iv) expected lifetime: 5 years. The options are accompanied by Distribution Equivalent Awards. See footnote (1) in the table for “Incentive Plan Awards Outstanding at the End of the Most Recently Completed Financial Year”. The grant date fair value of the options does not include any incremental value for accompanying Distribution Equivalent Awards. Distribution Equivalent payments made to the trustee under the Distribution Equivalent Plan with respect to the vested awards are included in the “All other compensation” column. The grant date fair value differs from the accounting for the options in 2009. The accounting value has been determined using the intrinsic value method and is disclosed in Note 18 of the Consolidated Financial Statements for the years ended December 31, 2009 & 2008.

(2) Mr. Holmes was paid \$1,500 in consulting fees in 2009.

(3) Mr. Brown retired and did not stand for re-election in May 2009 as he attained the age of 70.

(4) Mr. Pinette is not standing for re-election.

#### Incentive Plan Awards Outstanding at the End of the Most Recently Completed Financial Year

The following table sets forth information concerning outstanding options to purchase Stapled Units granted to the directors and includes awards granted before the most recently completed financial year, in their capacities as directors of the Company, as at December 31, 2009.

Name	Option -based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#) <sup>(1)</sup>	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(2)</sup>	Number of shares or units that have not vested (#)	Market or payout values of share-based awards that have not vested (\$)
<b>William C. Brown</b>	37,000	8.91	2/28/2010	Nil	Nil	Nil
	6,000	15.80	2/8/2010	Nil	Nil	Nil
	6,000	13.94	2/8/2011	Nil	Nil	Nil
	6,000	16.26	2/8/2012	Nil	Nil	Nil
	6,000	5.45	11/16/2013	Nil	Nil	Nil
	34,261	3.01	2/16/2014	45,567	Nil	Nil

<b>V. Edward Daughney</b>	10,000	15.80	2/8/2010	Nil	Nil	Nil
	10,000	13.94	2/8/2011	Nil	Nil	Nil
	10,000	16.26	2/8/2012	Nil	Nil	Nil
	10,000	5.45	11/16/2013	Nil	Nil	Nil
	57,101	3.01	2/16/2014	75,944	Nil	Nil
<b>David. L. Emerson</b>	34,261	3.01	2/16/2014	45,567	Nil	Nil
<b>Robert J. Holmes</b>	6,000	16.26	2/8/2012	Nil	Nil	Nil
	6,000	5.45	11/16/2013	Nil	Nil	Nil
	34,261	3.01	2/16/2014	45,567	Nil	Nil
<b>Maureen E. Howe</b>	34,261	2.61	3/4/2014	59,272	Nil	Nil
<b>Robert W. Murdoch</b>	6,000	15.80	2/8/2010	Nil	Nil	Nil
	6,000	13.94	2/8/2011	Nil	Nil	Nil
	6,000	16.26	2/8/2012	Nil	Nil	Nil
	6,000	5.45	11/16/2013	Nil	Nil	Nil
	34,261	3.01	2/16/2014	45,567	Nil	Nil
<b>Conrad A. Pinette</b>	6,000	15.80	2/8/2010	Nil	Nil	Nil
	6,000	13.94	2/8/2011	Nil	Nil	Nil
	6,000	16.26	2/8/2012	Nil	Nil	Nil
	6,000	5.45	11/16/2013	Nil	Nil	Nil
	34,261	3.01	2/16/2014	45,567	Nil	Nil
<b>Maria M. Pope</b>	6,000	5.45	11/16/2013	Nil	Nil	Nil
	34,261	3.01	2/16/2014	45,567	Nil	Nil

(1) The options entitle the holder to acquire Stapled Units of the Company upon exercise. These options become vested and eligible for exercise over a three-year period, with one-third of the annual grants exercisable after one year, two-thirds after two years and all exercisable on the third anniversary. The Company adopted a Distribution Equivalent Plan on November 24, 2001. Subject to determination otherwise by the Company at the time of grant, a person who is granted options to acquire Stapled Units under the Company's Stapled Unit Option Plan will be granted the same number of awards under the Distribution Equivalent Plan and such awards will have the same expiry date and vesting terms as the corresponding options that are granted. The awards granted under the Distribution Equivalent Plan will only be exercisable at the same time when and if the corresponding options are exercised. At any time and from time to time, when the Company pays any distribution on the Stapled Units, the Company will pay to the trustee of the trust formed in relation to the Distribution Equivalent Plan an amount proportionate to such distribution based on the number of awards granted under the Distribution Equivalent Plan. After receipt from the Company, the trustee will use such payment to purchase Stapled Units through the Toronto Stock Exchange for the trust. When a participant exercises vested awards under the Distribution Equivalent Plan at the time of exercise of the corresponding options, the trustee will release the applicable number of Stapled Units held in the trust to that participant in accordance with the terms of the Distribution Equivalent Plan.

(2) The closing price of the Stapled Units on the Toronto Stock Exchange on December 31, 2009 was \$4.34. Subsequent to December 31, 2009, on March 20, 2010, Mr. Daughney was awarded 25,000 options, Mr. Emerson was awarded 15,000 options, Mr. Holmes was awarded 15,000 options, Ms. Howe was awarded 15,000 options, Mr. Murdoch was awarded 15,000 options, Mr. Pinette was awarded 15,000 options and Ms. Pope was awarded 15,000 options. The March 20, 2010 options had a grant price of \$5.25 per Unit.

### Incentive Plan Awards – value vested or earned during the year

The following table sets forth information concerning the value of incentive plan awards that vested or were earned during the year.

<b>Name</b>	<b>Option-based awards - Value vested during the year<sup>(1)</sup> (\$)</b>	<b>Share-based awards - Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation - Value earned during the year (\$)</b>
William C. Brown	Nil	Nil	Nil
V. Edward Daughney	Nil	Nil	Nil
David L. Emerson	Nil	Nil	Nil
Robert J. Holmes	Nil	Nil	Nil
Maureen E. Howe	Nil	Nil	Nil
Robert W. Murdoch	Nil	Nil	Nil
Conrad A. Pinette	Nil	Nil	Nil
Maria M. Pope	Nil	Nil	Nil

(1) All options that vested during the year had an exercise price that exceeded the market price of the underlying securities on the vesting date. Under the Company's Distribution Equivalent Plan, at any time and from time to time, when the Company pays any distribution on the Stapled Units, the Company is to pay to the trustee of the trust formed in relation to the Distribution Equivalent Plan an amount proportionate to such distributions based on the number of awards granted under the Distribution Equivalent Plan. During 2009 the Company did not pay any distributions on the Stapled Units so no payments were made to the trustee.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The only compensation plan of the Company under which equity securities are currently authorized for issuance to employees and non-employees is the Stapled Unit Option Plan. The table below summarizes information in relation to the Stapled Units reserved for issuance under the Stapled Unit Option Plan as of December 31, 2009.

<b>Plan</b>	<b>Securities to be issued upon exercise of outstanding options</b>	<b>Weighted average price of outstanding options</b>	<b>Securities remaining available for future issuance</b>
Stapled Unit Option Plan	2,537,745 ( 3.3 % of the issued and outstanding Stapled Units)	\$6.67	2,191,646 ( 2.8 % of the issued and outstanding Stapled Units)

The Company has a Stapled Unit Option Plan under which directors, officers or employees of the Company or of any of its subsidiaries who are in active service or employment with the Company or of any of its subsidiaries (defined under the Stapled Unit Option Plan as "Eligible Persons") may be granted options to purchase Stapled Units.

Under the Stapled Unit Option Plan, options may be granted to Eligible Persons as described under the plan from time to time. The maximum number of Stapled Units which may be issued pursuant to the Stapled Unit Option Plan and all options granted thereunder will not exceed 7,000,000 Stapled Units, which amounts to approximately 9.0% of the issued and outstanding Stapled Units. 2,537,745 Stapled Units have been reserved for

issuance upon exercise of options currently outstanding under the Stapled Unit Option Plan, which amounts to 3.3% of the issued and outstanding Stapled Units. The number of Stapled Units subject to any option granted under the Stapled Unit Option Plan and the related exercise price are subject to conventional provisions for their adjustment in certain events, including subdivision or consolidation of the Stapled Units. The number of Stapled Units that may be reserved for issuance to any one person pursuant to options granted under the Stapled Unit Option Plan may not exceed 5% of the issued and outstanding Stapled Units from time to time on a non-diluted basis (the “Outstanding Stapled Units”), the number of Stapled Units that may be reserved for issuance to insiders of the Company pursuant to options granted may not exceed 10% of the Outstanding Stapled Units and the number of Stapled Units that may be reserved for issuance to directors of the Company (who are not employees of the Company) pursuant to options granted may not exceed 1% of the Outstanding Stapled Units. In addition, the number of Stapled Units that may be issued to all insiders of the Company in the aggregate, or to any one insider, pursuant to options granted under the Stapled Unit Option Plan and pursuant to any other compensation arrangement involving the issuance of Stapled Units, within a one year period, may not exceed 10% and 5% of the Outstanding Stapled Units, respectively.

The Stapled Unit Option Plan is administered by the Governance and Human Resources Committee. The Committee may select Eligible Persons who may be granted options under the Stapled Unit Option Plan and determine the number of Stapled Units and exercise price in respect of which options are to be granted to such persons. The Committee may also determine the expiry date of the options, provided that the date of expiry may not be later than the date which is ten years after the date of grant. Since the inception of the Distribution Equivalent Plan, the expiry date of the options is five years. All options are not transferable. If an optionee ceases to be in active employment or service with the Company or any of its subsidiaries due to death, retirement or termination with or without cause, the options held by such optionee will be subject to early expiry as follows, unless otherwise determined by the Board of Directors:

- (a) termination for cause – expire immediately;
- (b) death – expire by the end of one year after death;
- (c) disability – continue to be exercisable in accordance with its terms;
- (d) retirement – expiry by the end of three years from the date of retirement; and
- (e) Cessation of active employment or service for any other reason – expire on the 90<sup>th</sup> day after cessation.

Options granted under the Stapled Unit Option Plan may not be exercised except in accordance with such limitations, based on the passage of time after the option is granted or the satisfaction or fulfilment of any other conditions, and subject to such other provisos as the Committee may in its discretion determine to be appropriate. As long as the Stapled Units are listed on the Toronto Stock Exchange, the exercise price per Stapled Unit for each option granted pursuant to the Stapled Unit Option Plan may not be less than the weighted average trading price of the Stapled Units on the Toronto Stock Exchange over the period of five consecutive trading days ending on the trading day immediately before the date of grant.

Under the Stapled Unit Option Plan, the Committee has the right to suspend, amend or terminate the plan without approval of optionees or Unitholders (provided that no such suspension, amendment or termination will materially prejudice the rights of any optionee under any previously granted option without the consent or deemed consent of such optionee), including without limitation:

- (a) changing the eligibility for and limitations on participation in the plan (other than participation by non-employee directors in the plan);
- (b) making any addition to, deletion from or alteration of the provisions of the plan that are necessary to comply with applicable law or the requirements of any regulatory authority or stock exchange;
- (c) making any amendment of a typographical, grammatical, administrative or clerical nature or clarification correcting or rectifying any ambiguity, defective provision, error or omission in the plan; and
- (d) changing the provisions relating to the administration of the plan or the manner of exercise of the options; including
  - (i) changing or adding of any form of financial assistance provided by the Company pursuant to any Stapled Unit compensation plan; and

- (ii) Adding provisions relating to a cashless exercise (which will provide for a full deduction of the underlying Stapled Units from the maximum number reserved under the plan for issuance).

Notwithstanding the foregoing powers of amendment accorded the Committee, none of the following amendments to the plan may be made without Unitholder approval:

- (a) any amendment to the maximum number of Stapled Units reserved for issuance upon exercise of options granted under the plan;
- (b) any reduction in the Exercise Price or cancellation and reissuance of options;
- (c) any amendment that extends the term of an option beyond the original expiry date;
- (d) any amendment to Eligible Persons that may permit the introduction or re-introduction of non-employee directors on a discretionary basis or change the cap on grants of options to non-employee directors;
- (e) any amendment which would permit equity-based awards granted under the plan to be transferable or assignable other than for normal estate settlement purposes;
- (f) any amendment to increase the maximum limit of the number of securities that may be:
  - (i) issued to insiders within any one year period; or
  - (ii) issuable to insiders of the Company at any time;
  - (iii) under the Plan, or combined with the Company's other Stapled Unit compensation arrangements, which could exceed 10% of the total issued and outstanding Stapled Units of the Company, respectively;
- (g) adding provisions relating to a cashless exercise (other than a surrender of options for cash) which does not provide for a full deduction of the underlying Stapled Units from the maximum number reserved under the Plan for issuance; and
- (h) Any amendment to the amending provisions of the Plan.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as disclosed in this Information Circular, none of the directors or senior officers of the Company, no management nominee for election as a director of the Company, none of the persons who have been directors or senior officers of the Company since the beginning of the Company's last completed financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any matter to be acted upon at the Meeting other than the election of directors.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Since the commencement of the most recently completed financial year of the Company, no informed person of the Company, nor any person proposed to be elected as a director of the Company, nor any associate or affiliate of such persons, has had any material interest in any transaction involving the Company.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at March 29, 2010, the aggregate indebtedness (other than routine indebtedness, as defined under applicable securities laws) to the Company and its subsidiaries of all directors and executive officers or former executive officers of the Company or any of its subsidiaries and any proposed nominee for election as a director of the Company, and associate of any such director, executive officer or former executive officer or proposed nominee was \$475,000. The following table sets out information in respect of each director, executive officer or former executive officer or proposed nominee for election as a director of the Company, or any associate of any such individual, who is, or at any time since the beginning of the financial year ended December 31, 2009 has been indebted to the Company or any of its subsidiaries.

### Indebtedness of Directors and Executive Officers

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During Financial Year 2009 (\$)	Amount Outstanding as at March 29, 2010 (\$)
John A. Hendry <sup>(1)</sup> Formerly Vice-President, Real Estate	Company as lender	475,000	475,000

<sup>(1)</sup>Mr. Hendry left the Company on February 13, 2009 and this housing loan is repayable by December 31, 2010.

### ADDITIONAL INFORMATION

Additional information relating to the Company can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at <http://www.sedar.com>. Financial information relating to the Company is provided in the Company's comparative financial statements and MD&A for the fiscal year ended December 31, 2009, and is also available on SEDAR.

The Company will provide to any person or company, upon request to the Secretary of the Company, copies of the Company's Annual Information Form (together with a copy of any document, or the pertinent pages of any document, incorporated therein by reference), the Company's comparative consolidated financial statements for its most recently completed financial year together with the accompanying report of the auditor, any interim financial statements of the Company that have been filed for any period subsequent to the financial statements for the Company's most recently completed financial year and the Company's information circular in respect of its most recent annual meeting of Unitholders. The Company may require the payment of a reasonable charge if the request for information is made by a person who is not a holder of the Company's securities.

### EFFECTIVE DATE

Except as otherwise specified, the information set forth in this Information Circular is provided as of March 29, 2010.

### APPROVAL OF THE BOARD

The contents of this Information Circular have been approved and its mailing has been authorized by the Board of Directors of the Company.

DATED as of the 29<sup>th</sup> day of March 2010.

BY ORDER OF THE BOARD OF DIRECTORS

Brenda G. Blue  
Secretary

**SCHEDULE “A”**

**TEXT OF ORDINARY RESOLUTIONS AUTHORIZING THE ISSUANCE OF ADDITIONAL  
CONVERTIBLE DEBENTURES AND UNDERLYING STAPLED UNITS IN RESPECT OF THE  
PAYMENT-IN-KIND OF INTEREST**

**RESOLVED AS ORDINARY RESOLUTIONS THAT:**

1. The issuance by the Company of an additional principal amount of 9% Extendible Convertible Debentures (“Public Debentures”), and the increase in the aggregate principal amount of the 9% Convertible Debentures previously issued by the Company to bcIMC (PPTW) Investment Corporation and bcIMC (WCBAF PPTW) Investment Corporation (“Private Debentures” and, together with the Public Debentures, “Convertible Debentures”), in lieu of payment of interest on the Convertible Debentures in cash in respect of the 14 quarterly interest periods commencing on July 1, 2010 and ending on December 31, 2013 (such Convertible Debentures, the “Payment-in-Kind Debentures”), and the issuance by the Company of up to 17,090,400 Stapled Units (including all the component securities thereof) issuable upon conversion of the Payment-in-Kind Debentures, is hereby authorized and approved.

2. Each director and officer of the Company, acting alone, is authorized to do such other acts and execute and deliver such other instruments and documents and make such filings as may be necessary or desirable to give full effect to these resolutions.