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TIMBERWEST FOREST CORP. FILES LEGAL CHALLENGE TO CAMPBELL RIVER TAX INCREASE BYLAW

Vancouver (BC) – TimberWest is challenging the City of Campbell River's recent tax increase on its Class 7 managed forest lands in the B.C. Supreme Court. A petition was filed today for a Judicial Review of the Taxation Bylaw with the goal of having TimberWest's tax rates on managed forest lands set aside.

"We believe that Campbell River's Tax Bylaw and Financial Plan are punitive, unreasonable, and discriminatory as they relate to TimberWest's managed forest lands and that they conflict with the purposes of the Private Managed Forest Land Act," said Paul McElligott, President and Chief Executive Officer of TimberWest. "As such, we were left with no alternative to launching this legal challenge."

Based on the tax rates established by the Tax Bylaw, TimberWest stands to pay the City \$1,253,696.72 in respect of its managed forest lands in 2009 – more than 10 times what it paid last year and more than 5 times what TimberWest would be paying under the Bylaw if TimberWest had removed the lands from the managed forest land class before September 30, 2008 such that they were reclassified as residential.

Some of the specific areas of concern are that the Tax Bylaw and Financial Plan:

- are in direct conflict with the purpose of the provincial government's Private Managed Forest Land Act, which is designed to support investment in sustainable forestry activities. This new tax would restrict forest management activity on managed forest lands in Campbell River to the point that TimberWest could not even afford to fund basic silviculture activities, essentially rendering the lands sterile from a forestry perspective; and
- were enacted for an improper purpose, because they are designed to change the use of the land from forestry to real estate development. To make matters worse, TimberWest was also not provided with the new zoning to go along with the changed land use.

TimberWest tried to work with elected officials and staff members from the City on alternatives to this new bylaw that could be applied this year. But when none could be agreed to, TimberWest was left with few options.

"Resorting to the courts is definitely not the approach we wanted to take here," added McElligott. "But when it became clear that the Bylaw was going ahead without modification, we felt there was little choice but to proceed with this petition. The increased level of taxation can only be funded through additional borrowings, it places us at a competitive disadvantage, and has significant negative impacts on our business at a time when we are struggling to manage through an unprecedented downturn in the coastal forest industry."

The company noted that its core business continues to be forestry and that only a very small portion of its land base in Campbell River and elsewhere on the Island will be sold as real estate over a very long period of time.

"We strongly believe there are potential "win-win" opportunities that will expand Campbell River's municipal tax base, generate new revenue and create new economic development in the future as small parcels of our land are rezoned over time," concluded McElligott. "I look forward to the day when we can return to working with the City to achieve those goals. We see a positive future for the company in Campbell River and believe we can be part of the solution and not a problem"

Given that the matter is now "before the courts", TimberWest will limit its public comments on this situation until it is resolved.

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About TimberWest

TimberWest Forest Corp. is uniquely positioned as western Canada's largest private timber and land management company. The Company owns in fee simple approximately 322,000 hectares or 796,000 acres of private land and is in the business of selling timber products and real estate.

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Stapled Units of TimberWest Forest Corp. are traded on the Toronto Stock Exchange under the symbol: TWF.UN

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