



**IMPORTANT INFORMATION FOR SHAREHOLDERS**

**Notice of the Annual General Meeting of Shareholders  
and  
Information Circular**

**April 7, 2011**

**International Forest Products Limited**

P.O. Box 49114, 3500-1055 Dunsmuir Street, Vancouver, BC, Canada V7X 1H7 Tel (604) 689-6800 Fax (604) 689-6825

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Information contained in this Information Circular is given as at April 7, 2011 unless otherwise stated. Except where otherwise noted, all dollar amounts are stated in Canadian dollars.



TO OUR SHAREHOLDERS

On behalf of the Board of Directors and Executive Officers of International Forest Products Limited ("**Interfor**"), we invite you to join us at Interfor's Annual General Meeting of shareholders. This year, the Annual General Meeting will be held on Tuesday, May 17, 2011 at 2:00 p.m. in the Cristal Room, Lower Lobby, Metropolitan Hotel, 645 Howe Street, Vancouver, British Columbia.

At the Annual General Meeting, shareholders will be asked to approve the business items in the accompanying Notice of Meeting and this Information Circular. We will also update you on the progress of the Company and comment on how Interfor is continuing to deliver on its strategy. At the end of the Annual General Meeting, a question and answer session will take place.

As a shareholder, your vote is important and we encourage you to participate either in person or by proxy. If it is not possible for you to be present to vote in person – or even if you plan to attend the Annual General Meeting – kindly complete and sign the enclosed form of proxy and return it as soon as possible in the envelope provided or by fax.

We look forward to seeing you.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Sauder".

E. Lawrence Sauder  
Chair of the Board of Directors

A handwritten signature in black ink, appearing to read "D. Davies".

Duncan Davies  
President and Chief Executive Officer

April 7, 2011

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of International Forest Products Limited (the “**Company**” or “**Interfor**”) will be held at the following time and place:

**DATE:** Tuesday, May 17, 2011  
**TIME:** 2:00 p.m. (Vancouver Time)  
**PLACE:** Metropolitan Hotel  
Cristal Room  
Lower Lobby  
645 Howe Street  
Vancouver, British Columbia

The Annual General Meeting is being held for the following purposes:

1. receiving the Consolidated Financial Statements for the fiscal year ended December 31, 2010;
2. electing the directors of the Company;
3. re-appointing the auditors of the Company for the ensuing year and authorizing the directors to fix the remuneration to be paid to the auditors; and
4. transacting such other business that may properly come before the Annual General Meeting.

Registered shareholders who are unable to attend the Annual General Meeting in person are requested to complete the enclosed form of proxy. The completed form of proxy and, if applicable, the power of attorney or other authority (if any) under which it is signed, or a notarial certified copy of the power of attorney, should be either faxed to 1-866-249-7775 or delivered to Computershare Investor Services Inc., Attention: Proxy Department, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the Annual General Meeting or any adjournment thereof.

Dated at Vancouver, British Columbia, this 7th day of April, 2011.

BY ORDER OF THE BOARD OF DIRECTORS



JOHN HORNING  
Senior Vice President, Chief Financial Officer and  
Corporate Secretary

# VOTING

## Who is soliciting my proxy?

This Information Circular is furnished in connection with the solicitation of proxies by or on behalf of the management and Board of Directors (the "**Board**") of Interfor for use at the Annual General Meeting of the shareholders of the Company to be held at the time and place (including any adjournment or postponement thereof) and for the purposes set out in the accompanying Notice of Annual General Meeting.

The cost of the solicitation of proxies is borne by the Company. The Company intends to primarily solicit proxies by mail, but proxies or votes or voting instructions may also be solicited personally or by telephone or other means of communication by directors and regular employees of the Company without special compensation.

## Am I entitled to vote?

Shareholders registered as holders of Class "A" Subordinate Voting shares and shareholders registered as holders of Class "B" Common shares on the record date of April 7, 2011 are entitled to receive notice of and to attend and vote at the Annual General Meeting.

The authorized capital of the Company consists of 106,700,000 shares without par value divided into 100,000,000 Class "A" Subordinate Voting shares, 1,700,000 Class "B" Common shares and 5,000,000 Preference shares. Each Class "A" Subordinate Voting share carries the right to one vote either on a show of hands or on a poll. Each Class "B" Common share carries the right to one vote on a show of hands and to ten votes on a poll. There are no Preference shares issued or outstanding.

Class "B" Common shares will automatically convert into Class "A" Subordinate Voting shares in certain circumstances including any transfer thereof by certain shareholders, unless the purchaser acquires a majority of the outstanding Class "B" Common shares and makes an offer to purchase all outstanding Class "A" Subordinate Voting shares and all Class "B" Common shares

at an equivalent price. See Share Capital — Rights on Take-over Bids and Conversion of Multiple Voting Shares in the Company's Annual Information Form, which can be found at [www.sedar.com](http://www.sedar.com).

As of April 7, 2011, there were 46,524,676 Class "A" Subordinate Voting shares and 1,015,779 Class "B" Common shares outstanding. The holders of Class "A" Subordinate Voting shares have the exclusive right, voting separately as a class, to elect one director of the Company. The holders of the Class "B" Common shares have the exclusive right, voting separately as a class, to elect the remaining directors of the Company. If there are no holders of Class "B" Common shares, the holders of Class "A" Subordinate Voting shares have the right to elect all the directors of the Company. Class "B" Common shares are exchangeable for Class "A" Subordinate Voting shares, share for share. The Class "A" Subordinate Voting shares represent 82.08% and the Class "B" Common shares represent 17.92% of the aggregate voting rights attached to securities of the Company.

## What am I voting on?

Shareholders will be voting on those matters which are described in the accompanying Notice of Annual General Meeting of Shareholders. **The Notice includes all the matters to be presented at the Annual General Meeting that are presently known to management.**

## Am I a registered or non-registered shareholder?

You are a registered shareholder if you have a share certificate in your name. You are a non-registered shareholder if your shares are registered in the name of an intermediary (for example, a bank, a trustee or an investment dealer) or the name of a clearing agency of which the intermediary is a participant.

## How can I vote my shares?

You either can vote by attending and voting your shares at the meeting or, if you cannot attend the meeting, by having your common

shares voted by proxy. How you exercise your vote depends on whether you are a registered or non-registered shareholder.

If you are a *registered shareholder* of the Company and are unable to attend the Annual General Meeting in person, complete the enclosed form of proxy and either fax it to 1-866-249-7775 or deliver it to Computershare Investor Services Inc., Attention: Proxy Department, 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the Annual General Meeting or any adjournment thereof.

If you are a *non-registered shareholder* of the Company and receive these materials through your broker or through another intermediary, complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. **If you are a non-registered shareholder and do not complete and return the materials in accordance with such instructions, you may lose the right to vote at the Annual General Meeting, either in person or by proxy.**

### Who votes my shares?

The persons named as proxyholders in the enclosed form of proxy are directors of the Company. **You can appoint someone else to represent you at the Annual General Meeting; however, you must appoint that person in accordance with the instructions on the form of proxy.** For the proxy to be valid, it must be completed, dated and signed by the shareholder, or the shareholder's attorney authorized in writing, and then delivered to the Company's transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, fax number: 1-866-249-7775, and received no later than 48 hours, excluding Saturdays, Sundays and holidays, before the time of the Annual General Meeting or any adjournment or postponement thereof.

### How will my shares be voted if I return a proxy?

By completing and returning a proxy, you are authorizing the person named in the proxy to

attend the meeting and vote your shares on each item of business you are entitled to vote on, according to your instructions. **If there are no instructions with respect to your proxy, your shares will be voted in favour of: i) electing as a director each person nominated by the Company for the ensuing year; and ii) appointing KPMG LLP as auditors for the ensuing year and authorizing the directors to fix their remuneration.**

### Can I revoke a proxy?

Yes, a shareholder may revoke a proxy by:

1. an instrument in writing (a) signed by the shareholder, or by the shareholder's attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation; and (b) delivered either to (i) the registered office of the Company, 3500-1055 Dunsmuir Street, Vancouver, B.C., Attention: Corporate Secretary, at any time up to and including the last business day preceding the day of the Annual General Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or (ii) the Chairman of the Annual General Meeting or any adjourned meeting at the meeting or adjourned meeting,
2. completing, dating and signing a proxy bearing a later date and delivering it in the manner described above, or
3. in any other manner provided by law.

Such revocation will have effect only in respect of those matters upon which a vote has not already been given pursuant to the authority conferred by the proxy.

### Who has discretionary authority to vote on amendments or variations to any of the business items and on any other matter that may properly come before the meeting?

The enclosed form of proxy confers discretionary authority upon the proxyholder named by the shareholder with respect to amendments or variations to the matters identified in the

accompanying Notice of Annual General Meeting of Shareholders and other matters which may properly come before the Annual General Meeting. If any such amendments or variations are proposed to the matters described in the Notice, or if any other matters properly come before the Annual General Meeting, your proxyholder may vote your shares as they consider best.

**Is my vote by proxy confidential?**

Yes, your vote by proxy is confidential. Proxies are received, counted and tabulated by our transfer agent, Computershare Investor Services Inc., in a way that preserves the confidentiality of individual shareholders' votes. Proxies are referred to the Company only in cases where a shareholder clearly intends to communicate with management, when it is necessary to do so to meet the requirements of applicable law, or in the event of a proxy contest.

**Does any shareholder beneficially own 10 per cent or more of the voting securities of the Company?**

As of April 7, 2011, to the knowledge of the directors and executive officers of the Company, the following persons beneficially own, or control or direct, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to either class of voting securities of the Company:

Name	Number and Class of Shares <sup>(1)</sup>	Percentage of Class
Fairfax Financial Holdings Limited	9,968,500 Class "A" Subordinate Voting shares	21.43%
Sauder Industries Limited <sup>(2)</sup>	1,011,735 Class "B" Common shares	99.60%
	1,980,271 Class "A" Subordinate Voting shares	4.26%

(1) This information is based on publicly available information filed by the person indicated.  
 (2) Sauder Industries Limited is indirectly owned by a holding company which, in turn, is indirectly owned in part by E. Lawrence Sauder. Mr. Sauder controls or directs the exercise of the voting rights attached to the voting securities of the Company held by Sauder Industries Limited with respect to routine matters such as the election of directors and appointment of auditors. In addition, Mr. Sauder directly owns 10,000 Class "A" Subordinate Voting shares.

**What if I have a question?**

If you have any inquiries, you can contact the Company's transfer agent, Computershare Investor Services Inc.:

- Email: [service@computershare.com](mailto:service@computershare.com)
- Toll-free: North America 1-800-564-6253  
International 514-982-7555
- Fax: 1-866-249-7775
- Mail: Computershare Investor Services Inc.  
Attention: Proxy Department  
9<sup>th</sup> Floor, 100 University Avenue  
Toronto, Ontario  
M5J 2Y1

# BUSINESS OF THE MEETING

## 1. RECEIVE THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended December 31, 2010 are contained in Interfor's 2010 Annual Report. The 2010 Annual Report was mailed to registered shareholders of the Company and to non-registered shareholders who requested the 2010 Annual Report. If you did not request a copy, you may view the Annual Report online at [www.interfor.com](http://www.interfor.com) or obtain a copy by sending your request for same to the Company's Corporate Secretary at 3500 - 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

## 2. ELECTION OF DIRECTORS

The directors of the Company are elected each year at the Annual General Meeting of the Company and hold office until the close of the next Annual General Meeting or until he or she ceases to hold office, whichever is sooner.

The Corporate Governance & Nominating Committee, in conjunction with the Chairman of the Board, recommends to the Board nominees to stand for election as directors. The Board proposes the persons listed below for nomination for election at the Annual General Meeting. The persons named in the enclosed form of proxy will vote in favour of the election of those persons listed below as nominees for directors.

The following table sets out the name, age, place of residence and principal occupation of each person proposed to be nominated for election as a director and other relevant information including the number of securities of the Company and deferred share units ("DSUs") held by the person as at the date of this Information Circular and their market value. The table also sets out whether a nominee is independent or not independent.

### Nominee for Holders of Class "A" Subordinate Voting shares only

<b>LAWRENCE I. BELL</b>  <b>Independent Lead Director</b>  Age 73  Vernon, BC, Canada  Director since April 1998	Mr. Bell is a Corporate Director. In addition to being a director of the Company, he is a director of Goldcorp Inc., Capstone Mining, Silver Wheaton Corp. and Matrix Asset Management Inc. Mr. Bell is a fellow of the Institute of Corporate Directors. From 2003 until his retirement in 2007, Mr. Bell served as the non-executive Chairman of British Columbia Hydro and Power Authority. From 2001 to 2003, he was Chairman and Chief Executive Officer of British Columbia Hydro and Power Authority. He has also served as the Chairman of Canada Line (Rapid Transit Project), Chairman of the Board of Governors of the University of British Columbia, Chairman and President of the Westar Group and Chief Executive Officer of Vancouver City Savings Credit Union. In addition, he has served on the boards of a number of private and public companies, including Kimber Resources Inc., B.C. Gas, Canadian Hunter and Miramar Mining Corporation, and as a trustee of Hardwoods Distribution Income Fund. In the British Columbia public sector, Mr. Bell has served as Deputy Minister of Finance and Secretary to the Treasury Board. Mr. Bell holds a M.A. in Economics and has received numerous awards for his public service.				
	<b>Committee Memberships</b>				
	Corporate Governance & Nominating Committee Audit Committee				
	<b>Shares and Share Equivalents Held:</b>				
		<b>Total of Class "A" Subordinate Voting Shares and DSUs</b>	<b>Value of Class "A" Subordinate Voting Shares and DSUs <sup>(4)</sup></b>	<b>Has Minimum Share Ownership Requirement Been Met?<sup>(5)</sup></b>	
<b>Shares <sup>(1)</sup></b>	<b>Total DSUs <sup>(3)</sup></b>				
38,300 Class "A"	23,391	61,691	\$432,540	Yes	

## Nominees for Holders of Class "B" Common shares only

<p><b>DUNCAN K. DAVIES</b>  <b>Not Independent</b>  Age 60  Vancouver, BC, Canada  Director since November 1998</p>	<p>Mr. Davies has been the President and Chief Executive Officer ("CEO") of the Company since 2000. From 1998 to 2000, he was the President and Chief Operating Officer of the Company. Prior to joining the Company, Mr. Davies was a Vice President of an investment banking firm specializing in forest products transactions and activities, a principal in an independent forest products company and held senior positions in two other large forest products companies. He is a director of the B.C. Lumber Trade Council, the Canadian Lumber Trade Alliance and the Binational Softwood Lumber Council. Mr. Davies holds a B.A. in Economics and a M.Sc. in Forestry Economics.</p>				
	<p><b>Committee Memberships</b></p> <p>Mr. Davies is not a member of any Committee. He attends the Management Resources &amp; Compensation Committee meetings in his capacity as President and CEO of the Company.</p>				
	<p><b>Shares and Share Equivalents Held:</b></p>				
	<p><b>Shares <sup>(1)</sup></b></p>	<p><b>Total DSUs <sup>(3)</sup></b></p>	<p><b>Total of Class "A" Subordinate Voting Shares and DSUs</b></p>	<p><b>Value of Class "A" Subordinate Voting Shares and DSUs <sup>(4)</sup></b></p>	<p><b>Has Minimum Share Ownership Requirement Been Met?<sup>(5)</sup></b></p>
	<p>216,100 Class "A"</p>	<p>161,355</p>	<p>377,455</p>	<p>\$2,646,488</p>	<p>Yes</p>

<p><b>HAROLD C. KALKE</b>  <b>Independent</b>  Age 70  West Vancouver, BC, Canada  Director since July 2000</p>	<p>Mr. Kalke is the founder and President of Kalico Developments Ltd., a real estate development and management company, since 1971. He has founded and operated several other companies in the real estate development business and oil and gas sector. Mr. Kalke is a past Chairman of the Board of Governors of the University of British Columbia. Mr. Kalke holds a B.Sc. in Engineering and a MBA from the University of Western Ontario.</p>				
	<p><b>Committee Memberships</b></p> <p>Corporate Governance &amp; Nominating Committee  Environment &amp; Safety Committee</p>				
	<p><b>Shares and Share Equivalents Held:</b></p>				
	<p><b>Shares <sup>(1)</sup></b></p>	<p><b>Total DSUs <sup>(3)</sup></b></p>	<p><b>Total of Class "A" Subordinate Voting Shares and DSUs</b></p>	<p><b>Value of Class "A" Subordinate Voting Shares and DSUs <sup>(4)</sup></b></p>	<p><b>Has Minimum Share Ownership Requirement Been Met?<sup>(5)</sup></b></p>
	<p>10,300 Class "A"</p>	<p>37,521</p>	<p>47,821</p>	<p>\$335,292</p>	<p>Yes</p>

<p><b>PETER M. LYNCH</b>  <b>Independent</b>  Age 60  Toronto, ON, Canada  Director since October 2006</p>	<p>Mr. Lynch is a Corporate Director. From 1993 to 2010, he was an Executive Vice President and director of Grant Forest Products Inc. (and its predecessor), a producer of OSB and engineered wood products. Prior thereto, he practiced law. Mr. Lynch holds a LL.B from Osgoode Law School and is a member of the Law Society of Upper Canada, the Canadian Bar Association and the Ontario Bar Association.</p>				
	<p><b>Committee Memberships</b></p> <p>Audit Committee  Environment &amp; Safety Committee</p>				
	<p><b>Shares and Share Equivalents Held:</b></p>				
	<p><b>Shares <sup>(1)</sup></b></p>	<p><b>Total DSUs <sup>(3)</sup></b></p>	<p><b>Total of Class "A" Subordinate Voting Shares and DSUs</b></p>	<p><b>Value of Class "A" Subordinate Voting Shares and DSUs <sup>(4)</sup></b></p>	<p><b>Has Minimum Share Ownership Requirement Been Met?<sup>(5)</sup></b></p>
	<p>-</p>	<p>31,521</p>	<p>31,521</p>	<p>\$221,006</p>	<p>Yes</p>

<b>GORDON H. MacDOUGALL</b> <b>Independent</b> Age 65 West Vancouver, BC, Canada Director since February 2007	Mr. MacDougall is Vice Chairman and Partner of Connor, Clark & Lunn Investment Management Ltd., an asset management firm. From 1996 to 2006, he was a Partner at Connor, Clark & Lunn Investment Management Partnership and Director, Head of Portfolio Strategy Team and Head of Client Solutions Team of Connor, Clark & Lunn Investment Management Ltd. He previously served as lead director for Intrawest Corporation. Mr. MacDougall is currently the Chairman of the Investment Committee and a director of Vancouver Foundation. He holds a CFA from the University of Virginia, a MBA from the University of Pittsburgh and a B.Comm. in Finance from Sir George Williams University (now Concordia University).				
	<b>Committee Memberships</b>				
	Management Resources & Compensation Committee Audit Committee				
	<b>Shares and Share Equivalents Held:</b>				
<b>Shares</b> <sup>(1)</sup>	<b>Total DSUs</b> <sup>(3)</sup>	<b>Total of Class "A" Subordinate Voting Shares and DSUs</b>	<b>Value of Class "A" Subordinate Voting Shares and DSUs</b> <sup>(4)</sup>	<b>Has Minimum Share Ownership Requirement Been Met?</b> <sup>(5)</sup>	
15,000 Class "A"	31,521	46,521	\$326,177	Yes	

<b>J. EDDIE McMILLAN</b> <b>Independent</b> Perdido Key, Florida, USA Age 65 Director since October 2006	Mr. McMillan is an independent business consultant. From 1998 until his retirement in 2002, he was Executive Vice President – Wood Products Group of Willamette Industries Inc. Prior to 2002, Mr. McMillan held various management positions with Willamette Industries Inc. Over the years, he has served as a director of Forest Express, Inc. and has been associated with numerous industry association boards including the American Plywood Association, National Particleboard Association, Particleboard and MDF Institute, Southern Forest Products Association, Western Wood Products Association, National Association of Lumber Wholesalers and the American Forest and Paper Association. He has a B.Sc. in Accounting/Business Administration from Louisiana Tech University.				
	<b>Committee Memberships</b>				
	Management Resources & Compensation Committee Corporate Governance & Nominating Committee				
	<b>Shares and Share Equivalents Held:</b>				
<b>Shares</b> <sup>(1)</sup>	<b>Total DSUs</b> <sup>(3)</sup>	<b>Total of Class "A" Subordinate Voting Shares and DSUs</b>	<b>Value of Class "A" Subordinate Voting Shares and DSUs</b> <sup>(4)</sup>	<b>Has Minimum Share Ownership Requirement Been Met?</b> <sup>(5)</sup>	
-	8,000	8,000	\$56,091	Mr. McMillan has until December 31, 2015 to meet the requirement.	

<b>E. LAWRENCE SAUDER</b> <b>Not Independent</b> Vancouver, BC, Canada Age 58 Director since April 1984	Mr. Sauder is Chairman of the Company. From 2004 until his appointment to Chairman in 2008, he was Vice Chairman of the Company. He is also the Chairman of Hardwoods Distribution Income Fund, a distributor of wood products, and Chairman and Chief Executive Officer of Sauder Industries Limited, a manufacturer and distributor of building products. From 1988 to 2004, he was President of Sauder Industries Limited. Mr. Sauder is a member of the World Presidents Organization.				
	<b>Committee Memberships</b>				
	Environment & Safety Committee				
	<b>Shares and Share Equivalents Held:</b>				
<b>Shares</b> <sup>(1)</sup>	<b>Total DSUs</b> <sup>(3)</sup>	<b>Total of Class "A" Subordinate Voting Shares and DSUs</b>	<b>Value of Class "A" Subordinate Voting Shares and DSUs</b> <sup>(4)</sup>	<b>Has Minimum Share Ownership Requirement Been Met?</b> <sup>(5)</sup>	
10,000 Class "A" <sup>(2)</sup>	20,000	30,000	\$210,342	Yes	



To the knowledge of the Company's directors and executive officers, none of the proposed nominees for director (nor any personal holding company of the proposed director):

(a) is, as at the date of this Information Circular, or has been, within 10 years before the date of the Information Circular, a director, CEO or Chief Financial Officer ("**CFO**") of any company (including the Company) that was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption order under securities legislation that was issued while the proposed director was acting in the capacity as director, CEO or CFO or issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while the person was acting in that capacity;

(b) except as described in this Information Circular, is, as at the date of the Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within 10 years before the date of this Information Circular, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

From 1993 to 2010, Mr. Lynch was an executive officer and director of Grant Forest Products Inc. ("Grant Forest"). On June 25, 2009, Grant Forest and certain affiliated entities filed and obtained protection under the Companies' Creditors Arrangement Act in order to restructure its business affairs.

#### **BOARD AND COMMITTEE MEETINGS HELD FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Board/Committee</b>	<b>Total number of meetings</b>	<b>In-camera sessions</b>
<sup>(1)(2)</sup> Board of Directors	4	Yes
Audit Committee	4	Yes
Corporate Governance & Nominating Committee	3	Yes
Management Resources & Compensation Committee	3	Yes
Environment & Safety Committee	4	Yes

(1) The Board held 4 regularly scheduled quarterly meetings.

(2) In addition to the 4 regularly scheduled quarterly Board meetings, the directors attended 2 strategic planning/update sessions.

**BOARD/COMMITTEE MEETING ATTENDANCE BY DIRECTORS FOR THE YEAR ENDED  
DECEMBER 31, 2010**

Director	Board Meetings Attended	% Board Meetings Attended	Committee Meetings Attended <sup>(2)</sup>	% Committee Meetings Attended
Lawrence I. Bell	4 of 4	100%	CGNC – 3 of 3 AC – 4 of 4	100% 100%
Duncan K. Davies	4 of 4	100%	See Note (1) below	----
Harold C. Kalke	4 of 4	100%	CGNC – 3 of 3 ESC – 4 of 4	100% 100%
Peter M. Lynch	4 of 4	100%	ESC – 4 of 4 AC – 4 of 4	100% 100%
Gordon H. MacDougall	4 of 4	100%	MRCC – 3 of 3 AC – 4 of 4	100% 100%
J. Eddie McMillan	4 of 4	100%	CGNC – 3 of 3 MRCC – 3 of 3	100% 100%
E. Lawrence Sauder	3 of 4	75%	ESC – 3 of 4	75%
John P. Sullivan	4 of 4	100%	CGNC – 3 of 3 MRCC – 3 of 3	100% 100%
Douglas W.G. Whitehead	4 of 4	100%	MRCC – 3 of 3 AC – 4 of 4	100% 100%

- (1) Mr. Davies attended the Management Resources & Compensation Committee meetings in his capacity as President and CEO of the Company.  
(2) For the purposes of this table,

MRCC = Management Resources & Compensation Committee  
ESC = Environment & Safety Committee  
AC = Audit Committee  
CGNC = Corporate Governance & Nominating Committee

**3. RE-APPOINTMENT AND REMUNERATION OF AUDITORS**

The Company's Audit Committee annually reviews and recommends to the Board the appointment of the external auditors of the Company. Interfor's Board recommends the re-appointment of KPMG LLP, Chartered Accountants, Vancouver, as the auditors of the Company to hold office until the termination of the next Annual General Meeting of the Company. KPMG LLP has served as the auditors of the Company for more than five years. It is proposed that the remuneration to be paid to the auditors be determined by the directors of the Company. Unless otherwise instructed, the persons named in the enclosed form of proxy will vote in favour of the re-appointment of KPMG LLP, Chartered Accountants, Vancouver, British Columbia, as auditors of the Company to hold office until the next Annual General Meeting of the shareholders and to authorize the directors to fix the remuneration of the auditors so appointed.

In 2010, the Company engaged KPMG LLP as both financial and environmental certification auditors. Fees for financial audits, environmental certification audits and other services provided by KPMG LLP during the years ended December 31, 2009 and December 31, 2010 were as follows.

	<b>2010 Fees</b>	<b>2009 Fees</b>
Total audit fees	\$451,000	\$392,500
Audit-related fees <sup>(1)</sup>	9,300	33,300
Tax fees <sup>(2)</sup>	266,678	17,875
All other fees	<u>50,500</u>	<u>36,350</u>
<b>TOTAL</b>	<b><u>\$777,478</u></b>	<b><u>\$ 480,025</u></b>

- (1) Audit-related fees consist principally of fees for professional services rendered with respect to audits of a defined benefit pension plan, subsidiary companies, and consultation related to accounting issues.
- (2) Tax fees consist of fees for tax compliance services, professional services related to U.S. cross border transfer pricing and sales tax and tax credit contingency fees which are based on percentage of recoveries (e.g. indirect taxes, SR & ED, etc.)

# CORPORATE GOVERNANCE

## Board of Directors

The Board is responsible for the stewardship of the Company on behalf of the shareholders. The Board has established guidelines on corporate governance issues which set out the manner in which it will discharge its stewardship responsibilities, in some cases with the assistance of Committees of the Board. See Statement of Interfor's Corporate Governance Practices set out in Appendix A to this Information Circular.

The Board is responsible for the overall strategic direction of the Company and approves the Strategic Plan, the Business Plan and all major developments related to the business of the Company, including major debt and equity financing, capital expenditures and dividend policies. The Board has adopted a Code of Conduct that governs the actions of the directors, officers and other employees of the Company attached as Appendix C.

The objective of the Board is to ensure that the business and affairs of the Company are conducted in the best interests of the Company. Acting in the "best interests" of the Company involves a consideration of the long term best interests of the Company, while also giving consideration to the interests of the various stakeholders of the Company. The Board has delegated the day-to-day management responsibilities to the Company's management and expects them to fulfill this responsibility in a manner consistent with achieving this objective.

During 2010, the Board held 4 regular quarterly meetings and 2 strategic planning/update sessions. At every regular quarterly meeting, the Board discusses issues without the presence of management "in camera", and in addition, the independent directors meet "in camera" at each meeting with neither management nor the non-independent directors present.

## Committees of the Board of Directors

### Corporate Governance & Nominating Committee

The mandate of the Corporate Governance & Nominating Committee is to assist the Board in fulfilling its oversight responsibilities to ensure that the Company has an effective corporate governance regime. This Committee monitors the size, composition, independence and effectiveness of the Board, its members and committees, and makes recommendations with respect to directors' compensation. It ensures there is an orientation process for new directors and an ongoing education program to increase the directors' awareness of the Company's business and the issues it faces. The Committee reviews the nomination of new director candidates in consultation with the Chairman. The Committee may authorize the engagement of outside advisors to assist individual directors in fulfilling their responsibilities. The Corporate Governance & Nominating Committee met 3 times in 2010.

The Corporate Governance & Nominating Committee consists of the following independent directors: J. E. McMillan (Chair), Lawrence I. Bell, Harold C. Kalke and John P. Sullivan.

### Audit Committee

The Audit Committee supports the Board in fulfilling its oversight responsibilities regarding integrity of the Company's accounting and financial reporting, internal controls, legal and regulatory compliance, independence and performance of the Company's external auditors, the management of the Company's risks, creditworthiness and treasury plans. The Audit Committee meets separately in camera after each Audit Committee meeting with the Company's Management and the Company's Auditors as part of its review. The Audit Committee recommends the appointment of the external auditor and approves their

compensation and any non-audit services provided by the Company's auditors. The Audit Committee met 4 times in 2010. Additional information relating to the Audit Committee is contained in the Company's Annual Information Form, which can be found at [www.interfor.com](http://www.interfor.com).

The Audit Committee consists of the following independent directors: Gordon H. MacDougall (Chair), Lawrence I. Bell, Peter M. Lynch and Douglas W.G. Whitehead.

### **Environment & Safety Committee**

The Environment & Safety Committee ("**E&S Committee**") is mandated to monitor the Company's ongoing commitment to its principles, values and policies regarding environment and safety matters. The E&S Committee reviews the information systems, assessment procedures and, if necessary, remedial procedures to ensure the Company's operations are in compliance with environmental, health and safety laws and regulations and there is a pattern of continuous improvement in minimizing any adverse environmental, health and safety impacts. In addition to reporting its findings to the Board, the E&S Committee has arranged for a report to be included in the Company's Annual Information Form. The E&S Committee met 4 times in 2010.

The E&S Committee consists of the following directors: Peter M. Lynch (Chair), Harold C. Kalke and E. Lawrence Sauder.

### **Management Resources & Compensation Committee**

The Management Resources & Compensation Committee ("**MRCC**") is responsible for developing the compensation philosophy and guidelines on executive compensation, overseeing succession planning for the management team, determining CEO goals and objectives relative to compensation and evaluating CEO performance. The MRCC reviews and approves overall compensation, including short-term and long-term incentives, at the executive level (except in the case of the CEO, it reviews and recommends for approval by the Board), and monitors the competitiveness of compensation at all levels of management. The MRCC is also responsible for ensuring the goals and objectives and position description of the CEO are in alignment with the Mandate of the Board (a copy of the Mandate of the Board can be found on page 46 of this Information Circular). The MRCC monitors the objectives, form and performance of the Company's pension plans. The MRCC met 3 times in 2010.

The MRCC consists of the following independent directors: Douglas W.G. Whitehead (Chair), Gordon H. MacDougall, J. Eddie McMillan and John P. Sullivan.

# COMPENSATION

## DIRECTOR COMPENSATION

Director compensation is paid to directors and includes annual retainers, meeting fees and equity-based incentive compensation in the form of deferred share units. The compensation is intended to provide an appropriate level of remuneration considering the responsibilities, time requirements and accountability of their roles on the Board. The Corporate Governance & Nominating Committee annually reviews and recommends to the Board the compensation of all Board members. The Corporate Governance & Nominating Committee uses comparative information to ensure that the compensation is competitive.

### Annual Retainers and Meeting Fees

In 2010, the Corporate Governance & Nominating Committee considered the compensation levels of directors. Having reviewed the compensation levels of directors of non-trust TSX traded forest products and non-trust TSX-traded non resource companies, the Corporate Governance & Nominating Committee recommended for approval to the Company's Board adjustments to director compensation. The Board approved the following adjustments to director compensation effective April 1, 2010.

	As of April 1, 2010	January 1, 2010 - March 31, 2010
Annual Chairman Retainer <sup>(1)</sup>	\$125,000	\$125,000
Annual Director Member Retainer, except CEO	\$ 35,000	\$ 25,000
Annual Lead Director Retainer (in addition to Annual Director Retainer)	\$ 10,000	\$ 5,000
CEO – Annual Total Director Compensation <sup>(2)</sup>	\$ 6,000	\$ 6,000
Board Meeting Attendance Fee per meeting	\$1,100	\$1,000
Board Teleconferencing Fee (less than 1 hr) per teleconference	\$ 500	\$ 500
Annual Committee Retainer	\$ 2,000	\$2,000
Annual Committee Chair Retainer, excluding Chair of the Audit Committee	\$ 4,000	\$ 2,500
Annual Audit Committee Chair Retainer	\$ 10,000	\$ 7,500
Committee Meeting Attendance Fee per meeting	\$ 1,100	\$ 1,000
Committee Teleconferencing Fee (less than 1 hr) per teleconference	\$ 500	\$ 500
Per Diem – for Company business, tours or strategy sessions on days other than meeting days	\$ 1,000	\$ 1,000
Travel Time (if more than ½ day is required)	\$ 1,000	\$ 1,000
Travel Fees and Other Significant Expenses	Actual	Actual

(1) The Annual Chairman Retainer is inclusive of all retainers and travel, meeting attendance and teleconferencing fees.

(2) The CEO receives the CEO – Annual Total Director Compensation only; no additional meeting fees are paid to the CEO.

## Deferred Share Unit Plan

In addition to annual retainers and meeting fees, the Board, upon the recommendation of the Corporate Governance & Nominating Committee, approved, in its discretion, an annual grant of DSUs to each non-executive director pursuant to the Company's Deferred Share Unit Plan ("**DSU Plan**"). DSUs awarded represent a notional number of Class "A" Subordinate Voting shares of the Company which the Board wishes to award to the directors to promote a greater alignment of interest between the directors and the shareholders of the Company and assist the directors in achieving their minimum share ownership requirement. DSUs are granted annually to the directors following the election of directors to the Board at the Company's Annual General Meeting and vest immediately. The following table shows the number of DSUs granted to the non-executive directors in 2010.

Position	Number of DSUs Granted in 2010
Chairman	4,000
Other non-executive directors <sup>(1)</sup>	2,000

(1) The CEO does not receive a grant of DSUs.

DSUs granted can only be redeemed when a triggering event has occurred. If the triggering event is death, disability or retirement, DSUs may be exercised until December 31 of the year following the triggering event. If the triggering event is resignation or termination, the exercise period extends for only thirty days after the triggering event. DSUs can be exercised for a cash payment equal to the weighted average trading price of the Class "A" Subordinate Voting shares of the Company on the Toronto Stock Exchange for the five consecutive trading days ended on the trading day immediately prior to the exercise date.

In addition, a director is entitled to elect to receive an amount up to or equal to the Annual Director Member Retainer in the form of DSUs, at the prior election of the director. The actual number of DSUs granted to a director is calculated by dividing the dollar amount of the retainer elected to be paid in DSUs by the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange during the last five trading days preceding the end of each calendar quarter. DSUs vest immediately. DSUs count towards the achievement of a director's minimum share ownership requirement.

## Share Appreciation Rights Plan and Share Option Plan

In 2002 and 2003, the directors participated in the Company's Share Appreciation Rights Plan ("**SAR Plan**"). Prior to 2002, directors participated in the Share Option Plan.

## Directors' Share Ownership Requirement

The Company has in place a share ownership requirement for directors to align the interests of directors with those of shareholders. All non-executive directors, including the Chairman of the Board, are required to own a minimum value of Class "A" Subordinate Voting shares and DSUs equal to five times the current Annual Director Member Retainer within five years of becoming a director, or by December 31, 2015, whichever is later. In 2010, the Annual Director Member Retainer was increased to \$35,000 from \$25,000 per year. As a result, the share ownership requirement is now \$175,000. At the same time, the Board extended the deadline to meet the new share ownership requirement to December 31, 2015. See page 30 for the share ownership requirement of the CEO.

The following table shows the actual and required Class "A" Subordinate Voting shares and DSUs holdings as of December 31, 2010 for the directors, except the CEO.

	Number of Class "A" Subordinate Voting Shares ("Shares") Held	Number of Deferred Share Units Held	Total Shares and Deferred Share Units Held	Value of Shares and Deferred Share Units Held <sup>(1)</sup>	Value of Holdings Required	Date Required
<b>Lawrence I. Bell</b>	38,300	22,126	60,426	\$316,040	\$175,000	Dec. 31, 2015
<b>Harold C. Kalke</b>	10,300	36,256	46,556	\$243,497	\$175,000	Dec. 31, 2015
<b>Peter M. Lynch</b>	-	30,256	30,256	\$158,245	\$175,000	Dec. 31, 2015
<b>Gordon H. MacDougall</b>	15,000	30,256	45,256	\$236,698	\$175,000	Dec. 31, 2015
<b>J. Eddie McMillan</b>	-	8,000	8,000	\$43,350	\$175,000	Dec. 31, 2015
<b>E. Lawrence Sauder<sup>(2)</sup></b>	5,000	20,000	25,000	\$143,406	\$175,000	Dec. 31, 2015
<b>John P. Sullivan</b>	120,786	14,000	134,786	\$704,958	\$175,000	Dec. 31, 2015
<b>Douglas W.G. Whitehead</b>	13,000	6,000	19,000	\$99,374	\$175,000	Dec. 31, 2015

- (1) In determining whether a non-executive director has met his minimum shareholding requirements, the total number of Class "A" Subordinate Voting shares and DSUs held by a non-executive director will be valued at the greater of: (i) actual cost of shares or the grant date market value of DSUs awarded; and (ii) the market value, using the weighted average trading price of the Class "A" Subordinate Voting Shares on the Toronto Stock Exchange for the five trading days preceding the applicable valuation date for such shares and DSUs. The market value used for the comparison is \$5.2302 per share or DSU held, being the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange for the five trading days preceding December 31, 2010.

## Director's Total Compensation

The following table sets out the total director compensation for the year ended December 31, 2010.

Name <sup>(1)</sup>	Fees Earned <sup>(2)</sup>	Share-based Awards <sup>(3)</sup>		Option-based Awards	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation <sup>(5)</sup>	Total
		DSUs Received in lieu of Annual Director Retainer <sup>(4)</sup>	DSU Plan Awards					
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Lawrence I. Bell</b>	26,150	32,500	11,210	-	-	-	-	69,860
<b>Harold C. Kalke</b>	17,400	32,500	11,210	-	-	-	-	61,110
<b>Peter M. Lynch</b>	22,125	32,500	11,210	-	-	-	8,000	73,835
<b>Gordon H. MacDougall</b>	26,775	32,500	11,210	-	-	-	-	70,485
<b>J. Eddie McMillan</b>	52,425	-	11,210	-	-	-	8,000	71,635
<b>E. Lawrence Sauder</b>	125,000	-	22,420	-	-	-	-	147,420
<b>John P. Sullivan</b>	48,800	-	11,210	-	-	-	-	60,010
<b>Douglas W.G. Whitehead</b>	53,525	-	11,210	-	-	-	-	64,735

(1) Duncan Davies' total compensation is set out in the Summary Compensation Table on page 31.

(2) Fees earned consist of annual retainer, committee, chair and meeting fees.

(3) The DSU Plan provides that DSUs awarded under the DSU Plan shall be awarded at a value equal to the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange for the five trading days prior to the date of the grant. The amount reflected in the table represents the value which the Board has determined is the grant date fair value of such DSUs and which is also the accounting fair value.

(4) Messrs. Bell, Kalke, Lynch and MacDougall elected to receive all or a portion of their Annual Director Member Retainer for 2010 in DSUs.

(5) All Other Compensation consists of per diem rates and travel time.

## Outstanding Share-Based Awards and Option-Based Awards

The following table sets out for each director (except the CEO) all outstanding option-based (share appreciation rights (“SARs”) and Share Options) and share-based awards outstanding as at December 31, 2010.

Name	OPTION-BASED AWARDS <sup>(1)</sup>				SHARE-BASED AWARDS <sup>(2)</sup>	
	Number of Securities Underlying Unexercised Options	Option Exercise Price <sup>(3)</sup>	Option Expiration Date	Value of Unexercised In-the-money Options	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-based Awards that have not Vested
	#	\$		\$	#	\$
<b>Lawrence I. Bell</b>						
SARs	5,000	4.33	22-Jan-2012	4,520	-	-
SARs	5,000	6.45	30-Jan-2013	-	-	-
<b>Harold C. Kalke</b>						
SARs	5,000	4.33	22-Jan-2012	4,520	-	-
SARs	5,000	6.45	30-Jan-2013	-	-	-
<b>E. Lawrence Sauder</b>						
Share Options	5,000	3.65	18-Jan-2011	9,750	-	-
SARs	5,000	4.33	22-Jan-2012	4,520	-	-
SARs	5,000	6.45	30-Jan-2013	-	-	-
<b>John P. Sullivan</b>						
Share Options	100,000	4.94	30-Apr-2011	66,000	-	-
SARs	29,000	4.33	22-Jan-2012	26,216	-	-
SARs	22,800	6.45	30-Jan-2013	-	-	-

- (1) Prior to 2002, the directors participated in the Company's Share Option Plan. In 2002 and 2003, the directors participated in the Company's SAR Plan.
- (2) The table does not include outstanding DSUs held by the directors because DSUs vest immediately upon grant. The number of DSUs currently held by directors and the value of same is shown on pages 6-9 of this Information Circular.
- (3) Option Exercise Price for SARs represents the base price of the SARs.

## Director Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out incentive plan awards for each of the directors for the fiscal year ended December 31, 2010. The only share-based awards received by directors are DSUs, which vest immediately upon grant.

Name <sup>(1)</sup>	Option Awards – Value Vested during the year	Share-based Awards – Value Vested during the year		Non-equity Incentive Plan Compensation – Value Earned during the year
		DSUs Received in lieu of Annual Director Retainer <sup>(3)</sup>	DSU Plan Awards <sup>(4)</sup>	
	\$	\$	\$	\$
Lawrence I. Bell	-	32,500	11,210	-
Harold C. Kalke	-	32,500	11,210	-
Peter M. Lynch	-	32,500	11,210	-
Gordon H. MacDougall	-	32,500	11,210	-
J. Eddie McMillan	-	-	11,210	-
E. Lawrence Sauder	-	-	22,420	-
John P. Sullivan	-	-	11,210	-
Douglas W.G. Whitehead	-	-	11,210	-

- (1) Information regarding incentive plan awards vested or earned during the year by the CEO of the Company is set out in the table on page 32.
- (2) DSUs vest immediately upon grant but can only be redeemed when a triggering event has occurred.
- (3) This column reflects the value of DSUs received by directors in lieu of their Annual Director Member Retainer in 2010. These amounts are included in the Director's Total Compensation Table on page 18. The number of DSUs received was equal to the dollar value of the retainer paid in DSUs divided by the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange during the last five trading days preceding the end of each calendar quarter.
- (4) This column reflects the value of DSUs awarded to directors in 2010 as described on page 16. The value shown is the grant date fair value which is calculated at a value equal to the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange for the five trading days prior to the date of the grant. These amounts are included in the Director's Total Compensation Table on page 18.

# EXECUTIVE OFFICER COMPENSATION

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Objectives and Strategy

The Management Resources and Compensation Committee (“**MRCC**”) is responsible for reviewing and approving the compensation arrangements of the Company’s officers, other than the CEO. The MRCC reviews and recommends to the Board for approval the compensation arrangement for the CEO. A key mandate of the MRCC is to maintain an executive compensation program that achieves two objectives: to advance the business strategy of the Company, and to attract and retain key talent necessary to achieve the business objectives of the Company. The Company also believes in the importance of encouraging executives to own Company shares to more fully align management with the interests of shareholders.

The Company creates a direct linkage between compensation and the achievement of business objectives in the short- and long-term by providing an appropriate mix of fixed versus at-risk compensation. An executive’s personal performance, together with corporate performance, and competitive market compensation data, are used to determine his/her actual compensation. The Company generally targets total compensation (base salary and all at-risk compensation) at or about the 75<sup>th</sup> percentile of the selected comparator group measured over a five year period, taking into consideration compensation practices of regional and local companies from other industry sectors who may compete for executive talent, the employee’s varying level of responsibilities, individual performance, market trends, and the complexity and autonomous characteristics of the Company.

The Company puts the greatest emphasis on financial performance by placing a significant proportion of total compensation at-risk based on the Company’s financial results. In the years of strongest financial performance more than half of the total compensation earned by the CEO, CFO, Chief Operating Officer (“**COO**”) and the two other highest paid executive officers (collectively the “**Named Executive Officers**”) would be expected to come from performance-related incentive compensation.

### Benchmarking

The MRCC periodically reviews the total compensation arrangements for executive officers. To ensure that the Company provides competitive compensation, the MRCC considers benchmark data showing each component of compensation and total compensation levels benchmarked against the compensation of executive officers in the selected comparator group. The Company periodically selects for benchmarking purposes a comparator group comprised of other companies in the forest industry in Canada and in the U.S. who are similar in size, complexity, and geographic location. In 2010, the Company used the following western Canadian and Pacific Northwest U.S. based forest companies as its comparator group.

COMPARATOR COMPANIES	CRITERIA FOR SELECTION
Canfor Corporation Catalyst Paper Corporation TimberWest Forest Corp. West Fraser Timber Co. Ltd. Western Forest Products Inc.	<ul style="list-style-type: none"><li>• 5 largest B.C. based forestry companies</li><li>• geographical competitors for executive talent</li><li>• traded on TSX; access to executive compensation information</li></ul>
Louisiana-Pacific Corporation Plum Creek Timber Potlatch Corporation Weyerhaeuser Company	<ul style="list-style-type: none"><li>• Pacific-Northwest based forestry companies</li><li>• geographical competitors for executive talent</li><li>• traded on NYSE; access to executive compensation information</li></ul>

In addition to considering benchmarking data, the MRCC considers other factors, including the advice and recommendations provided by the CEO, individual performance and the compensation practices of regional and local companies from other industry sectors who may compete with the Company for executive talent.

The MRCC did not engage the services of any external independent compensation consultant during 2010 to provide it with general benchmarking information. However, in 2010, Towers Watson was engaged by the MRCC to review the Company's Total Shareholder Return Plan ("**TSR Plan**") for senior executives. The Company paid Towers Watson approximately \$23,000 for its services in 2010.

### Elements of Total Compensation

The elements of the Company's total compensation program consist of annual base salary, non-equity incentives, and equity-based incentives. The Named Executive Officers also receive indirect compensation benefits.

The objective of the Company's executive compensation plan is to pay executives at the 75<sup>th</sup> percentile of the selected comparator group measured over a five year period. The following chart depicts the components of total compensation, as well as the desired mix assuming at-target performance by an executive officer.

Fixed Compensation	40-60%
At-risk compensation	40-60%
<i>Short-term incentives</i>	
<ul style="list-style-type: none"> <li>• Discretionary Short-term Incentive Plan Awards</li> <li>• President's Award</li> </ul>	
<i>Long-term incentives</i>	
<ul style="list-style-type: none"> <li>• Total Shareholder Return Plan</li> <li>• Share Appreciation Rights Plan</li> </ul>	

#### *Annual Base Salary*

The MRCC reviews the base salaries of executive officers and from time to time makes adjustments that it considers appropriate to recognize compensation paid by companies in the selected comparator group, compensation practices of regional and local companies from other industry sectors who may compete for executive talent, varying levels of responsibilities of the officer, individual performance and the complexity and autonomous characteristics of the Company. The MRCC approves the annual base salary of the executive officers other than the CEO. The Board approves the CEO's base salary based on the MRCC's recommendation.

In addition to his annual base salary, the CEO receives an annual retainer of \$6,000 as a director of the Company (as described on page 15 under the heading "Annual Retainers and Meeting Fees").

### *Non-Equity Incentives*

Short- and long-term incentive compensation primarily comes in the form of awards under the Company's non-equity incentive compensation plans which include the Discretionary Short-term Incentive Plan Awards, discretionary "President's Awards" and other discretionary bonuses and TSR Plan.

#### *a) Discretionary Short-term Incentive Plan Awards*

In 2010, the MRCC adopted a discretionary short-term bonus plan. Under this new plan, the Company accrues 6.5% of earnings before tax (excluding one-time gains or losses and subject to a cap of two times aggregate target bonuses) into a bonus pool for additional discretionary awards and/or profit-sharing payouts to employees, including the Named Executive Officers. Nominations for such a bonus is made by the CEO and approved by the MRCC, in its discretion. In the case of the CEO, the MRCC may recommend for approval by the Board a bonus to the CEO.

As earnings before tax was negative in 2010, no accruals were made. As such, no awards were made under this plan in 2010.

#### *b) President's Awards and Other Discretionary Bonuses*

The President's Award, a short-term incentive plan, is a discretionary plan designed to reward employees who have made a noteworthy contribution to the Company during the prior year. Nominations for a President's Award are made by the CEO and approved by the MRCC, in its discretion.

In 2010, the MRCC authorized the Company to accrue \$25,000 per month for potential President's Awards. In respect of 2010, President's Awards in the aggregate amount of \$300,000 were awarded to 49 employees, of which Mr. Williams received \$20,000 for leading the banking renewals and his significant progress in his new role as VP, Finance and Administration, and Mr. Schulte received \$15,000 for his strong leadership in Coastal Woodlands Division.

The Board may from time to time grant discretionary short-term incentive bonuses to the CEO and other executive officers or employees to reward them for significant contributions during the year. No discretionary bonuses were awarded in 2011.

#### *c) TSR Plan*

Awards under the TSR Plan represent long-term non-equity incentive compensation designed to reinforce the connection between remuneration and interests of the shareholders by motivating and rewarding participants for improving the long-term value of the Company. In any year, a Named Executive Officer either receives a grant under the TSR Plan or the SAR Plan, but not both. As of January 1, 2011, all of the Named Executive Officers participate in the TSR Plan.

The MRCC annually, in its discretion, approves the target award for each eligible Named Executive Officer, other than the CEO, based on its review of the market competitiveness of the eligible Named Executive Officer's total compensation arrangements. The MRCC reviews and recommends to the Board for approval the target award for the CEO. The target award is expressed as a percentage of the annual base salary in effect at the beginning of a three year performance period. The award that is actually earned is dependent on the Company's performance against a predetermined compound annual growth rate during the performance period.

The following table sets out the target awards approved by the MRCC or the Board, as the case may be, for the performance periods indicated.

<b>PARTICIPANT</b>	<b>PERFORMANCE PERIOD</b>	<b>TARGET AWARD (EXPRESSED AS A PERCENTAGE OF ANNUAL BASE SALARY)</b>
<b>Duncan K. Davies</b>	3 Years ending Dec. 31, 2010	100%
	3 Years ending Dec. 31, 2011	100%
	3 Years ending Dec. 31, 2012	100%
	3 Years ending Dec. 31, 2013	100%
<b>John A. Horning</b>	3 Years ending Dec. 31, 2010	90%
	3 Years ending Dec. 31, 2011	90%
	3 Years ending Dec. 31, 2012	90%
	3 Years ending Dec. 31, 2013	90%
<b>Sandy M. Fulton</b>	3 Years ending Dec. 31, 2010	90%
	3 Years ending Dec. 31, 2011	90%
	3 Years ending Dec. 31, 2012	90%
	3 Years ending Dec. 31, 2013	90%
<b>Stephen D. Williams</b>	3 Years ending Dec. 31, 2011	50%
	3 Years ending Dec. 31, 2012	75%
	3 Years ending Dec. 31, 2013	75%
<b>Otto F. Schulte<sup>(1)</sup></b>	3 Years ending Dec. 31, 2013	50%

(1) Mr. Schulte became eligible to participate in the TSR Plan as of January 1, 2011.

*(i) Terms of TSR Plan up to December 31, 2010 ("Pre-2011 TSR Plan")*

Under the terms of the Pre-2011 TSR Plan, payouts are based on absolute TSR performance over three years. The threshold, target and maximum compound annual growth rate and the corresponding target award are set out in the table below. The target award under the TSR Plan is earned if an average increase in share value of 7.5% compounded annually is achieved over a three year performance period. One-half of the target award is earned if a minimum compound annual growth rate of 5% is achieved. If a compound annual growth rate of 15% or more is achieved by the Company, each participant can earn twice the target award. If a compound annual growth rate of more than 5% but less than 15% is achieved by the Company, the award is interpolated according to a formula.

<b>COMPOUND ANNUAL GROWTH RATE ("CAGR")</b>	<b>TARGET AWARD</b>
Less than 5%	No award
5%	½ of Target Award ("Threshold")
Between 5% and 7.5%	Interpolated by Formula between ½ of Target Award and 1 times Target Award
7.5%	1 times Target Award ("Target")
Between 7.5% and 15%	Interpolated by Formula between 1 time Target Award and 2 times Target Award
15% and above	2 times Target Award ("Maximum")

Following the end of a performance period, the award, if any, is paid in cash, or at the prior election of the participant, subject to the overriding discretion of the Board described in (iii) below, the participant may receive all or a portion of their TSR Plan award in DSUs. In the event of death, disability, retirement or involuntary termination, the award is determined at the end of the performance period as if employment had continued and then pro-rated for the period of actual employment.

The following table sets out the outstanding awards awarded to the Named Executive Officers under the terms of the Pre-2011 TSR Plan.

NAME	PERFORMANCE PERIOD UNTIL PAYOUT	ESTIMATED FUTURE PAYOUT UNDER NON-EQUITY INCENTIVE PLANS <sup>(1)</sup>		
		THRESHOLD	TARGET	MAXIMUM
		\$	\$	\$
<b>Duncan K. Davies</b>	3 Years ending Dec. 31, 2011	325,000	650,000	1,300,000
	3 Years ending Dec. 31, 2012	325,000	650,000	1,300,000
<b>John A. Horning</b>	3 Years ending Dec. 31, 2011	202,500	405,000	810,000
	3 Years ending Dec. 31, 2012	202,500	405,000	810,000
<b>Sandy M. Fulton</b>	3 Years ending Dec. 31, 2011	202,500	405,000	810,000
	3 Years ending Dec. 31, 2012	202,500	405,000	810,000
<b>Stephen D. Williams</b>	3 Years ending Dec. 31, 2011	68,750	137,500	275,000
	3 Years ending Dec. 31, 2012	103,125	206,250	412,500

(1) See above discussion on TSR Plan for determining the amount payable if the Threshold, Target or Maximum is met. If a compound annual growth rate of more than 5% but less than 15% is achieved by the Company, the amount payable is interpolated.

The following table shows a history of payouts under the Pre-2011 TSR Plan.

PERFORMANCE PERIOD	PAYOUT
3 years ended 2008	\$0
3 years ended 2009 <sup>(1)</sup>	\$0
3 years ended 2010	\$0

(1) While the threshold was not met under the Pre-2011 TSR Plan in respect of the performance period ended December 31, 2009, Mr. Fulton's target award for this performance period was tripled and guaranteed to be consistent with the grant under the Pre-2011 TSR Plan to the CEO and CFO.

(ii) *Terms of TSR Plan as at January 1, 2011 ("Modified TSR Plan")*

In mid 2010, the MRCC engaged Towers Watson to assist the Company in redesigning its TSR Plan to address:

- key executive retention through the next down cycle
- the provision of attractive long-term incentive opportunity for the next generation of executives
- Industry-specific risk
- Challenges associated with meeting the Company's share ownership requirement

After considering Towers Watson's recommendation, the MRCC recommended to the Board for approval, and the Board approved, a modification to the Company's TSR Plan. The Modified TSR Plan introduces performance share units ("PSUs").

Under the terms of the Modified TSR Plan, at the beginning of each performance period commencing on or after January 1, 2011, a participant will receive a target number of PSUs. The number of PSUs received is determined by multiplying the participant's target award as indicated in the table on page 24 by the participant's annual base salary and then dividing same by the price of the Company's Class "A" Subordinate Voting share at the time of grant. For example, a \$650,000 target award value for the CEO (100% times his annual base salary) divided by a \$5.00 share price would result in 130,000 PSUs being granted to the CEO (\$650,000/\$5.00). At the end of the performance period, the Company's total shareholder return would be evaluated against threshold, target and maximum compound annual growth rates. The number of PSUs earned would be based on actual results to such threshold, target and maximum growth rates using the following pay-performance scale.

<b>PAY-PERFORMANCE LEVEL</b>	<b>PERFORMANCE GOAL (TSR Growth over 3 years)</b>	<b>Payout<sup>(1)</sup> (% of Target)</b>
Maximum	≥15.0% CAGR	150%
Target	7.5% CAGR	100%
Threshold	≤5.0 %CAGR	50%

(1) Payouts for performance between threshold and target, or target and maximum, will be interpolated on a straight line basis.

The value a participant ultimately receives would be determined by the number of PSUs earned, multiplied by the share price at the end of the performance period. For example, if the Company's Class "A" Subordinate Voting share price increased from \$5.00 to \$7.60 over the performance period, resulting in 15% annual TSR growth, the value the CEO would earn is \$1,482,000 (130,000 PSUs x 150% (for maximum performance) x \$7.60). If, however, the Subordinate Class "A" Voting share price declined to \$4.00, resulting in negative TSR (or growth below the 5% annual minimum), the value the CEO would earn is \$260,000 (130,000 PSUs x 50% (the threshold percentage) x \$4.00).

Following the end of a performance period, the award, if any, would be paid in cash, or at the prior election of the participant, subject to the overriding discretion of the Board described in (iii) below, the participant may elect to receive all or a portion of his/her TSR Plan award in DSUs. In the event of death, disability, retirement or involuntary termination, the award would be determined at the end of the performance period as if employment had continued and then pro-rated for the period of actual employment.

The Modified TSR Plan is applicable to TSR Plan Awards for performance periods commencing on or after January 1, 2011. The following table sets out the number of PSUs that a NEO may earn under the terms of the Modified TSR Plan.

NAME	PERFORMANCE PERIOD UNTIL PAYOUT	ESTIMATED FUTURE PSU AWARD UNDER NON-EQUITY INCENTIVE PLANS		
		THRESHOLD	TARGET	MAXIMUM
<b>Duncan K. Davies</b>	3 Years ending Dec. 31, 2013	62,142	124,283	186,425
<b>John A. Horning</b>	3 Years ending Dec. 31, 2013	38,719	77,438	116,157
<b>Sandy M. Fulton</b>	3 Years ending Dec. 31, 2013	38,719	77,438	116,157
<b>Stephen D. Williams</b>	3 Years ending Dec. 31, 2013	19,718	39,436	59,154
<b>Otto F. Schulte</b>	3 Years ending Dec. 31, 2013	11,951	23,901	35,852

*(iii) Election to Take DSUs*

Participants in the TSR Plan may elect in advance to have payment of all or a portion of their TSR award in respect of a performance period paid in the form of DSUs under the DSU Plan. The Board, however, has the discretion to override such an election and require that all or any portion of a TSR award which a participant has elected to receive in DSUs be credited to an interest bearing cash account under the DSU Plan.

DSUs count toward the achievement of a Named Executive Officer's minimum share ownership requirement. DSUs received in lieu of a cash payment vest immediately. The number of DSUs received is determined by dividing the amount of the award by the weighted average trading price of the Class "A" Subordinate Voting shares of the Company on the Toronto Stock Exchange for the five consecutive trading days ended on the trading day immediately prior to the end of the three year performance period.

*Equity Incentives*

Equity incentive plan compensation may take the form of DSUs, SARs and Share Options. To date, the Company has not granted DSUs to executive officers as compensation and stock options have not been granted by the Company since 2001. As of 2011, none of the Named Executive Officers receive SARs.

*a) Share Appreciation Rights Plan*

The SAR Plan is a long-term incentive plan which is option-based. SARs are awarded to eligible Named Executive Officers to provide additional long-term incentives and reinforce the connection between remuneration and growth in shareholder value. In any year, a Named Executive Officer either receives a grant under the SAR Plan or the TSR Plan, but not both. In 2010, of the Named Executive Officers, only Mr. Schulte was eligible to receive awards under the SAR Plan. The other Named Executive Officers participated in the TSR Plan. Effective January 1, 2011, Mr. Schulte also became a participant in the TSR Plan.

Under the SAR Plan, SARs can be exercised for a cash payment equal to the number of rights exercised multiplied by the increase in market value of the Company's Class "A" Subordinate Voting shares between the time of the grant and the time of exercise. The market value of a SAR is the weighted average closing price of the shares on the Toronto Stock Exchange for the five consecutive trading days ended on the trading day immediately prior to the date of the grant or exercise, as the case may be. The SAR grant expires on the earlier of ten years after the date of the grant, thirty days after termination other than retirement, or one year after death. SARs may be exercised, subject to the following vesting provisions.

TIME FROM DATE OF SAR GRANT	% EXERCISABLE
2 years	40%
3 years	60%
4 years	80%
5 years	100%

At the beginning of each year, the MRCC approves the number of SARs to be granted to eligible participants in the SAR Plan. In determining the number of SARs to be granted, the MRCC considers the recommendation of the CEO, the employee's position and base salary, the value of the underlying Class "A" Subordinate Voting shares, the number of SARs issued in previous years, both specifically for that employee as well as in aggregate under the SAR Plan, and the expected short-term incentive bonuses for that year. The number of SARs to be awarded is based on the number of underlying Class "A" Subordinate Voting shares of the Company to which the SARs relate, rather than on a dollar value that the Company intends to award as compensation.

In February 2010, the MRCC approved a grant of 280,000 SARs, of which 20,000 SARs were granted to Mr. Schulte.

As of December 31, 2010, SARs granted that had not expired or been cancelled totaled 2,226,980, of which 268,800 had been exercised. At December 31, 2010, 317,420 of the outstanding SARs were held by the Named Executive Officers.

*b) Deferred Share Unit Plan*

The DSU Plan is intended to enhance the Company's ability to attract and retain high quality individuals to serve as directors and executive officers and to promote a greater alignment of interests between participants and the shareholders of the Company. Under the DSU Plan, the Board may directly grant DSUs to directors, officers or employees of the Company and its subsidiaries. The terms of such direct grants are determined by the MRCC. Historically, no direct grants of DSUs have been awarded to the Named Executive Officers under the DSU Plan, other than through elections by the Named Executive Officers to receive payments in DSUs under the TSR Plans.

*c) Share Option Plan*

The Share Option Plan, a long-term incentive plan, is intended to enhance the Company's ability to attract and retain high quality employees and to promote a greater alignment of interests between participants and the shareholders of the Company. Under the Share Option Plan, the Board may grant options ("**Options**") to purchase Class "A" Subordinate Voting shares of the Company to directors, officers, employees and service providers of the Company or its subsidiaries. The terms of any such Option is determined by the Board but within the limitations set out in the Share Option Plan. The exercise price is determined by the Board provided it is not less than the closing price of the Class "A" Subordinate Voting shares of the Company on the last trading day preceding the date on which the

Option is granted. Options are not assignable. The Board has not granted any options under this Plan since 2001.

Under this Plan, 3,000,000 Class "A" Subordinate Voting shares were reserved on April 21, 1999 and, with the approval of the Toronto Stock Exchange on April 6, 2001, an additional 250,000 shares were reserved to facilitate the acquisition of Primex Forest Products Ltd. in 2001. As of December 31, 2010, Options had been granted and not cancelled or expired on 1,618,260 shares, of which 1,331,260 shares had been exercised. As of the date of this Information Circular, 100,000 Options are outstanding representing 0.21% of the Company's issued Class "A" Subordinate Voting shares. As at the date of this Information Circular, all of the outstanding Options were held by one director of the Company (see page 19). None of the outstanding Options were held by the Named Executive Officers.

All Options granted under this Plan were granted at fair market value on the date of the grant, and may be exercised for a term of up to ten years from the date they were granted. Options are subject to the following vesting requirements.

<b>TIME FROM DATE OF GRANT</b>	<b>% EXERCISABLE</b>
2 years	40%
3 years	60%
4 years	80%
5 years	100%

#### *Indirect Compensation Benefits*

Indirect compensation includes participation in the retirement plans described more fully on page 35, as well as benefits available to all salaried employees of the Company such as extended health and dental care, life insurance and disability benefits.

## Executive Officer Shareholding Ownership Requirement

The Company's share ownership requirement was introduced for the executive officers to provide a further link between the interests of executive officers and shareholders, thereby demonstrating the ongoing alignment of their interests with the interests of shareholders. The following table shows the actual and required Class "A" Subordinate Voting shares and DSU holdings as of December 31, 2010 for all Named Executive Officers. Value for this purpose is the higher of (i) actual cost of shares or the grant date market value of DSUs awarded, and (ii) market value, being the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange for the five trading days preceding the applicable valuation date for such shares or DSUs received in payment of TSR Plan awards.

	Minimum Ownership Requirement (as a multiple of base salary) <sup>(1)</sup>	Number of Class "A" Subordinate Voting Shares ("Shares") Held	Number of Deferred Share Units Held	Total Shares and Deferred Share Units Held	Value of Shares and Deferred Share Units Held <sup>(2)</sup>	Value of Holdings Required	Date Required
<b>Duncan K. Davies</b>	3 times	216,100	161,355	377,455	\$1,974,165	\$1,950,000	Dec. 31, 2011
<b>John A. Horning</b>	2 times	174,600	80,000	254,600	\$1,331,609	\$900,000	Dec. 31, 2011
<b>Sandy M. Fulton</b>	2 times	23,500	-	23,500	\$140,864	\$900,000	Dec. 31, 2013
<b>Stephen D. Williams</b>	1 times	53,000	-	53,000	\$277,201	\$275,000	Dec. 31, 2013
<b>Otto F. Schulte</b>	1 times	10,900	-	10,900	\$57,009	\$250,000	Dec. 31, 2016

(1) Based upon the indicated multiple of annual base salary in effect as of January 1, 2007 in the case of Messrs. Davies, Horning and Fulton, as of January 1, 2009 in the case of Mr. Williams and as of January 1, 2011 in the case of Mr. Schulte.

(2) Value determined as the higher of: (i) actual cost of shares or the grant date market value of DSUs awarded, and (ii) \$5.2302 per share or DSU held, being the weighted average trading price of the Class "A" Subordinate Voting shares on the Toronto Stock Exchange for the five trading days preceding December 31, 2010.

## SUMMARY COMPENSATION TABLE

The following table shows the total realized and target compensation awarded to the Company's Named Executive Officers for the fiscal years ended December 31, 2008, December 31, 2009 and December 31, 2010.

Name and Principal Position	Year	Salary	Share Based Awards	Option Based Awards (2)	Non-Equity Incentive Plan Compensation		Pension Value <sup>(5)</sup>	All Other Compensation <sup>(6)</sup>	Total Compensation
					Annual Incentive Plans	Long-term Incentive Plans <sup>(4)</sup>			
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Duncan K. Davies</b> President & CEO	2010	656,000 <sup>(1)</sup>	-	-	-	-	69,775	-	725,775
	2009	652,000	-	-	25,000 <sup>(3)</sup>	-	67,250	-	744,250
	2008	656,000	-	-	-	-	67,750	54,865	778,615
<b>John A. Horning</b> Senior Vice President, CFO & Corporate Secretary	2010	450,000	-	-	-	-	45,775	-	495,775
	2009	450,000	-	-	25,000 <sup>(3)</sup>	-	43,250	-	518,250
	2008	450,000	-	-	-	-	43,750	-	493,750
<b>Sandy M. Fulton</b> Senior Vice President & COO	2010	450,000	-	-	-	74,272 <sup>(10)</sup>	43,920	-	568,192
	2009	450,000	-	-	-	404,630	43,048	-	897,678
	2008	450,000	-	-	-	405,740	44,369	-	900,109
<b>Stephen D. Williams</b> Vice President, Finance and Administration <sup>(8)</sup>	2010	275,000	-	-	20,000	-	24,175	-	319,175
	2009	275,000	-	-	20,000 <sup>(3)</sup>	-	22,250	-	317,250
	2008	250,000	-	35,400	8,500	-	22,810	-	316,710
<b>Otto F. Schulte</b> Vice President, Coastal Woodlands	2010	241,667 <sup>(9)</sup>	-	51,703	15,000	-	20,175	-	328,545
	2009	225,000	-	13,950	20,000 <sup>(3)</sup>	-	16,250	-	275,200
	2008	225,000	-	35,400	5,000	-	20,194	-	285,594

- (1) In addition to his annual base salary, Mr. Davies receives a CEO - Total Director Compensation in the amount of \$6,000. However, in April 2009, all directors, including Mr. Davies, unanimously agreed that they would forego their Annual Director Member Retainer (in the case of the CEO, the CEO - Total Director Compensation) for the period from May 1, 2009 to December 31, 2009. As such, Mr. Davies received only \$2,000 in respect of that portion of his CEO - Total Director Compensation payable for the period prior to May 1, 2009.
- (2) Option-Based Awards include awards made under the SAR Plan. Messrs. Williams and Schulte participated in the SAR Plan in 2008. Effective January 1, 2009, Mr. Williams no longer participated in the SAR Plan as he became eligible to participate in the TSR Plan. The number of SARs to be awarded is based on the number of underlying Class "A" Subordinate Voting shares of the Company to which the SARs relate, rather than on a dollar value that the Company intends to award as compensation. The value of the awards has been calculated using a Black-Scholes model (2010 and 2009 grants) and a standard binomial model used to value share-based awards (2008 grant).
- (3) Annual Incentive Plans reflect President's Awards made to the Named Executive Officers other than the CEO and a discretionary bonus awarded by the Board to the President and CEO for 2009.
- (4) Long-term Incentive Plans represent amounts earned under the Company's TSR Plan in the year plus aggregate payouts (in cash and DSUs) under the TSR Plan in excess of amounts earned in prior years. There were no payouts under the TSR Plan in respect of the performance period ended December 31, 2010. In respect of Mr. Fulton, he was appointed COO in February 2007. For the performance period ended December 31, 2009, his target award was tripled and consistent with the first grant under the TSR Plan to the CEO and CFO to support the Company's retention objectives, the MRCC agreed that Mr. Fulton's target award for the performance period ended December 31, 2009 would be guaranteed. These amounts represent the value earned in 2008 and 2009 on the guaranteed target award. The award matured on December 31, 2009 and was paid in March 2010 by crediting the amounts earned to an interest bearing cash account under the DSU Plan.
- (5) Pension Value amounts include Company contributions to the Deferred Profit Sharing Plan for Canadian-based Named Executive Officers, Company contributions to the 401(k) Plan for the U.S. resident Named Executive Officer, plus Company notional contributions to the Supplementary Pension Plan.
- (6) All Other Compensation includes perquisites and other personal benefits provided to a Named Executive Officer that are not generally available to all employees. Perquisites and other personal benefits are only included above if in aggregate they exceed the lesser of \$50,000 and 10% of a Named Executive Officer's total salary.
- (7) Total Compensation represents the sum of the amounts in the other columns. It includes the valuation of Option Based Awards for Messrs. Williams and Schulte which may or may not be realized over the life of the awards.

- (8) Effective May 1, 2010, Mr. Williams was appointed Vice-President, Finance and Administration. Prior thereto, he held the position of Vice President & Corporate Treasurer.
- (9) Effective May 1, 2010, Mr. Schulte's annual base salary increased to \$250,000 from \$225,000.
- (10) The amount indicated represents the interest earned in Mr. Fulton's cash account under the DSU Plan. See note (4) above.

## INCENTIVE PLAN AWARDS

### Outstanding Share-Based and Option-Based Awards

The following table sets out for each Named Executive Officer all option-based and share-based awards outstanding as at December 31, 2010.

Name	OPTION-BASED AWARDS <sup>(1)(2)</sup>				SHARE-BASED AWARDS	
	Number of Securities Underlying Unexercised Options	Option Exercise Price <sup>(3)</sup>	Option Expiration Date	Value of Unexercised In-the-money Options	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-based Awards that have not Vested
	#	\$		\$	#	\$
<b>Duncan K. Davies</b>						
SARs	93,900	4.33	22-Jan-2012	84,886	-	-
<b>John A. Horning</b>						
SARs	44,000	4.33	22-Jan-2012	39,776	-	-
<b>Stephen D. Williams</b>						
SARs	2,120	4.33	22-Jan-2012	1,916	-	-
SARs	8,500	6.45	30-Jan-2013	-	-	-
SARs	5,600	6.07	27-Jan-2014	-	-	-
SARs	5,400	7.09	25-Jan-2015	-	-	-
SARs	5,000	7.03	6-Feb-2016	-	-	-
SARs	7,500	8.02	19-Feb-2017	-	-	-
SARs	20,000	5.21	19-Feb-2018	332	-	-
<b>Otto F. Schulte</b>						
SARs	23,900	6.45	30-Jan-2013	-	-	-
SARs	15,600	6.07	27-Jan-2014	-	-	-
SARs	13,400	7.09	25-Jan-2015	-	-	-
SARs	5,000	7.03	6-Feb-2016	-	-	-
SARs	7,500	8.02	19-Feb-2017	-	-	-
SARs	20,000	5.21	19-Feb-2018	332	-	-
SARs	20,000	1.38	24-Feb-2019	77,024	-	-
SARs	20,000	4.77	23-Feb-2020	9,130	-	-

- (1) Prior to 2002, executive officers participated in the Company's Share Option Plan.
- (2) In 2002 and 2003 executive officers participated in the SAR Plan. Commencing in 2004, a Named Executive Officer either received a grant under the SAR Plan or the TSR Plan, but not both. Mr. Williams became a participant in the TSR Plan effective January 1, 2009. Mr. Schulte became a participant in the TSR Plan effective January 1, 2011. Prior to becoming participants in the TSR Plan, they participated in the SAR Plan.
- (3) Option Exercise Price for SARs represents the base price of the SARs.

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the incentive plan awards for each Named Executive Officer for the fiscal year ended December 31, 2010.

Name	Option Awards – Value Vested During the Year <sup>(1)</sup>	Share Based Awards – Value Vested During the Year <sup>(2)</sup>	Non-Equity Incentive Plan Compensation - Value Earned During the Year
	\$	\$	\$
<b>Duncan K. Davies</b>	-	-	-
<b>John A. Horning</b>	-	-	-
<b>Sandy M. Fulton</b>	-	-	\$74,272 <sup>(2)</sup>
<b>Stephen D. Williams</b>	-	-	-
<b>Otto F. Schulte</b>	-	-	-

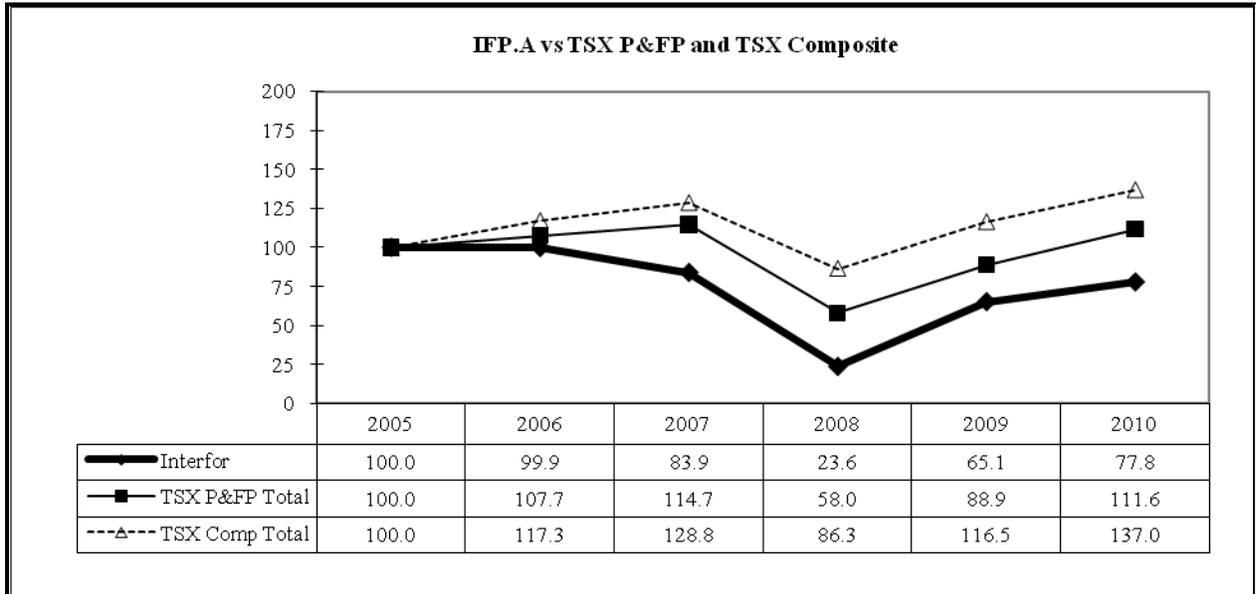
(1) Messrs. Williams' and Schulte's SARs which vested during the year had an exercise price which exceeded the market price of the underlying securities at the vesting date.

(2) In 2010, the Board exercised its discretion and required all of Mr. Fulton's TSR award for the performance period ended December 31, 2009 to be credited to an interest bearing cash account under the DSU Plan. The amount indicated represents the interest earned in Mr. Fulton's cash account.

## TOTAL SHAREHOLDER RETURN COMPARISON

The following graph compares the cumulative changes over the last 5 years in the value of \$100 invested in shares of the Company with \$100 invested in the S&P/TSX Composite Total Return Index and \$100 invested in the TSX Paper and Forest Products Total Return Index.

**Performance Graph**



The substantial decrease in the Company's share price in 2007 and 2008 directly impacted executive compensation. As a result, total compensation of the Named Executive Officers fell due to non-payment of the at-risk components of their compensation. Specifically, the decline of the Company's share price in 2007 and 2008 resulted in no awards under the TSR Plan in 2007 and 2008 and the financial performance of the Company during 2007 and 2008 resulted in no short-term incentive bonuses to the CEO, CFO and COO for those years. Other than a guaranteed target award that was agreed to by the Company in 2007 in connection with retaining the COO and increasing his responsibilities, no awards were earned under the TSR Plan in 2009 as a result of the market conditions reflected in the graph.

## EQUITY COMPENSATION PLAN INFORMATION

As at December 31, 2010, the Company has reserved the following Class "A" Subordinate Voting shares for possible issuance under its Share Option Plan:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity Compensation Plans Approved by Securityholders	37,000	\$ 3.65	1,631,740
Additional Grant – Not Approved by Securityholders <sup>(2)</sup>	250,000	\$ 4.94	—
<b>Total</b>	<b>287,000</b>	<b>\$ 4.77</b>	<b>1,631,740</b>

(1) Securities reflected in the table are options to acquire Class "A" Subordinated Voting shares of the Company.

(2) The additional grant was approved by the Toronto Stock Exchange to facilitate the acquisition of Primex Forest Products Ltd. in 2001. The terms of the grant are the same as those of the approved Share Option Plan.

## RETIREMENT PLANS

The Company sponsors a group Registered Retirement Savings Plan and a group Deferred Profit Sharing Plan for all of its Canadian salaried employees. The Plan provides such employees with an opportunity to make voluntary contributions to a group Registered Retirement Savings Plan ("RRSP"), which can include a spousal plan, of up to 6% of the employee's base salary and bonuses, up to a maximum of \$11,250 in 2010. The Company matches employee contributions up to 6% with contributions to the Deferred Profit Sharing Plan ("DPSP"). In Canada, the RRSP/DPSP combined limit in 2010 was \$22,475. All Named Executive Officers except Mr. Fulton are eligible to participate in the RRSP/DPSP. All Company contributions to the DPSP vest immediately. If the employee terminates employment he or she can transfer the accumulated contributions and investment income to another registered plan, take as taxable cash, or purchase an annuity or retirement income fund. If the employee dies while employed, the funds will be payable to his or her named beneficiary.

All eligible U.S. employees, including the COO, Mr. Fulton, may make voluntary contributions to the Company's 401(k) Plan up to a total maximum of \$16,500 in 2010. Employees 50 and over may contribute a "catch-up" amount of \$5,500 per year for a maximum deferral of \$22,000 for 2010. The Company makes a matching contribution to participant accounts of up to 4% of an employee's compensation with a maximum match of \$9,800 for 2010. All Company contributions to the 401(k) Plan vest immediately. If the employee terminates employment with an accrued benefit, the participant is entitled to a distribution of the non-forfeitable accrued benefit. The participant may defer payment until the mandatory benefit starting date. No tax consequences result with a direct rollover into a qualified plan. An employee who requests a lump sum withdrawal will be taxed and may incur an early withdrawal penalty. If an employee dies while employed, the funds will be payable to his or her named beneficiary.

No Named Executive Officers are members of a defined benefit retirement plan.

Named Executive Officers participate in a supplemental retirement plan ("SERP Plan"). There is a SERP Plan in Canada for the Canadian-resident Named Executive Officers, and a SERP Plan in the U.S. for U.S. resident Named Executive Officers. The SERP Plans were designed in light of the legislated limits on contributions to the RRSP/DPSP and 401(k) Plans which result in a portion of the Named Executive

Officer's salary being excluded each year from contributions to these Plans. The SERP Plans assist the Company in attracting and retaining key employees by providing such employees with supplemental retirement benefits.

The SERP Plans are administered as unfunded plans, and "notional contributions" vest immediately. The Board may amend or terminate the SERP Plans at any time, and designate the eligible employees to participate in a SERP Plan for that year. For the Canadian SERP, the contribution is in the form of a notional contribution equal to six percent of the Named Executive Officer's compensation to the extent that it exceeds Income Tax Act limits for years up to and including 2001 and twelve percent thereafter. The accumulated value of the Canadian SERP is secured by bank letters of credit. For the U.S. SERP, the contribution is equal to twelve percent of the Named Executive Officer's compensation reduced by the Named Executive Officer's personal and employer contribution to the 401(k) for the year.

Benefits from the SERP Plans are paid on the first day of the calendar month that starts after the latter of the participant's 60th birthday or termination of employment, in one or a combination of (i) equal monthly or annual installments; or (ii) in a single lump sum. If the Named Executive Officer terminates employment with the Company before age 60, he or she will forfeit the entire value of their account if, before attaining age 60, they engage in competitive employment as determined in good faith.

For the Canadian SERP Plan, the rate of return is set by application of the 10-year median return achieved by Canadian Balanced Funds, as measured by the AON Survey on Canadian Pension Plans' Investment Managers. For 2010, the resulting rate was 5.9%. The U.S. SERP Plan participants may select from five reference investment funds on an annual basis. The reference investment fund choices mirror actual fund choices in the Company's 401(k) Plan. In 2010, the rate ranged from 8.4% to 15.8% depending on the fund(s) selected by the participant.

The following table sets out information regarding the SERP Plans.

NAME	ACCUMULATED VALUE AT START OF YEAR	COMPENSATORY	NON-COMPENSATORY	ACCUMULATED VALUE AT END OF YEAR
	\$	\$	\$	\$
<b>Duncan K. Davies</b>	913,077	58,550	55,599	1,027,226
<b>John A. Horning</b>	422,215	34,550	25,929	482,694
<b>Sandy M. Fulton</b>	184,708 <sup>(1)</sup>	33,823 <sup>(2)</sup>	10,903	229,433 <sup>(3)</sup>
<b>Stephen D. Williams</b>	92,806	12,950	5,858	111,614
<b>Otto F. Schulte</b>	168,442	8,950	10,202	187,594

(1) Mr. Fulton's amount has been converted to Canadian dollars using the Bank of Canada closing rate on December 31, 2009.

(2) Mr. Fulton's amount has been converted to Canadian dollars using the average foreign exchange rate for 2010.

(3) Mr. Fulton's amount has been converted to Canadian dollars using the Bank of Canada closing rate on December 31, 2010.

## CHANGE OF CONTROL AGREEMENTS

The Company has entered into agreements with each of the Named Executive Officers that provide them with certain rights in the event of an involuntary termination of employment after a Change of Control of the Company. “**Change of Control**” occurs when:

- An acquisition of more than 50% of the voting shares or control over more than 50% of the voting shares by a person or group of persons, other than the Controlling Shareholder Group, in one transaction or a series of transactions;
- An acquisition of more than 50% of the Class “B” Common shares or control over more than 50% of the Class “B” Common shares by a person or group of persons, other than the Controlling Shareholder Group, in one transaction or a series of transactions;
- More than one half of the slate of persons proposed by the Board to the Company’s shareholders for election as directors of the Company is comprised of persons nominated by a holder of voting shares other than a member of the Controlling Shareholder Group, or by any group of holders of voting shares acting jointly or in concert, or more than one half of the directors elected as directors at a meeting of the Company’s shareholders is comprised of persons who were not included in the slate for election as directors proposed by the Board;
- 50% or more of the net book value of the assets of the Company are sold by the Company; or
- A majority of directors determines that a change in control has occurred.

For the purposes of the above, “**Controlling Shareholder Group**” means any of William L. Sauder (deceased), members of his immediate family, their descendants, and any companies controlled by them.

If, on the date of or within 24 months after any Change of Control, the Named Executive Officer’s employment with the Company is terminated, the Named Executive Officer is entitled to the following:

- (a) a lump sum cash amount equal to the aggregate of the following:
  - i) a severance amount determined by multiplying the Annual Compensation (defined below) by the applicable severance period in years (see table below for the severance period applicable to each of the Named Executive Officers);
  - ii) any unpaid annual base salary up to and including the date of termination;
  - iii) an amount in lieu of bonus for the calendar year in which the date of termination occurs, determined by pro-rating the amount in item (ii) of the definition of Annual Compensation over the portion of the calendar year to and including the date of termination;
  - iv) in full satisfaction of the Company’s obligations to the Named Executive Officer under the Company’s SERP, an amount which, if there were deducted from the amount of income tax payable thereon calculated at the highest personal marginal rates for federal and provincial income taxes applicable to the Named Executive Officer, would equal the required amount that would have been applicable as at the end of the specified severance period if the Named Executive Officer’s employment with the Company had continued to the end of the severance period; and
  - v) any other amounts the Named Executive Officer is entitled at law or under any other terms and conditions of the Named Executive Officer’s employment with the Company;less required statutory deductions and remittances;
- (b) Continuation of all benefits and perquisites until the end of the specified severance period, unless otherwise agreed to in writing between the Named Executive Officer and the Company;

- (c) All rights or options to purchase shares under the Company's Share Option Plan at the date of termination of employment will immediately vest and immediately become exercisable to the extent they had not already become exercisable; and continue to be held, notwithstanding the terms of the Share Option Plan, on the same terms and conditions as if the Named Executive Officer continued to be employed by the Company, except that the rights or options shall be exercisable immediately; and
- (d) Career counseling and relocation support comparable to senior executives of similar status.

The Named Executive Officer would also be entitled to such payments and benefits if their employment was terminated without cause in the case of a change of control of the Company if, prior to the termination, substantive discussions had commenced, or an agreement had been entered into that led to the change of control. In the event that a Named Executive Officer's employment is terminated for cause, no notice or pay in lieu of notice will be provided. Further, in the event that the Named Executive Officer retires or resigns, no payment will be provided.

For the purposes of the change of control agreements, "**Annual Compensation**" is defined as the aggregate sum of (i) annual base salary (defined as annual salary payable to the executive by the Company but excludes any bonuses and directors' fees paid to the Named Executive Officer by the Company) as at the end of the month immediately preceding the month of termination of employment with the Company, (ii) an amount determined by multiplying the annual base salary by the average percentage bonus for the three calendar years immediately preceding the calendar year in which termination of employment with the Company occurs, or for such fewer number of calendar years immediately preceding such calendar year that the Named Executive Officer was employed by the Company; and (iii) the annual amount of cash contributions payable by the Company to the Company's DPSP or to the Named Executive Officer's 401(k) Plan for the benefit of the Named Executive Officer based on the annual base salary, and (iv) the annual value of any car allowance to which the Named Executive Officer is entitled as a term of employment, as at the end of the month immediately preceding the month in which termination of the Named Executive Officer's employment with the Company occurs.

Under the SAR Plan, if an offer made by a third party to purchase more than 50% of the outstanding Company's shares are taken up and paid for under the offer, each of the Named Executive Officers shall for a period of 30 days after the takeover have the right to exercise the SARs held by that executive, notwithstanding that under the terms a SAR does not become exercisable until a later date.

The following table sets out the severance period specified in each of the Named Executive Officer's change of control agreement and the estimated payments that result if there had been a change of control as of December 31, 2010.

NAMED EXECUTIVE OFFICER	SEVERANCE PERIOD (MONTHS)	ANNUAL BASE SALARY (\$)	CHANGE OF CONTROL PAYMENTS (\$) <sup>(1)</sup>
Duncan K. Davies	36	650,000	2,534,148
John A. Horning	30	450,000	1,438,267 <sup>(2)</sup>
Sandy M. Fulton	30	450,000	1,407,062 <sup>(2)</sup>
Stephen D. Williams	24	275,000	694,382
Otto F. Schulte	24	250,000	641,511

(1) Based on trigger event having occurred December 31, 2010.

(2) Although the severance period and annual base salary are the same for Mr. Horning and Mr. Fulton, their annual pension contributions and average percentage bonus differ resulting in the difference in the change of control payment for each.

## OTHER INFORMATION

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Company, no proposed nominee for election as a director of the Company, and no associate of any such director, officer or proposed nominee, at any time during the most recently completed financial year has been indebted to the Company or any of its subsidiaries or had indebtedness to another entity which is, or has been, the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, no proposed nominee for election as director of the Company, no person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company (a "10% Holder"), no person who is a director or executive officer of a 10% Holder or subsidiary of the Company and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed fiscal year or in any proposed transaction which has or would materially affect the Company or any of its subsidiaries.

### INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than through the beneficial ownership of securities of the Company as described herein, none of the directors or executive officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or executive officers of the Company at any time since the beginning of the Company's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Annual General Meeting other than the election of directors or the appointment of auditors.

### ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and Management Discussion and Analysis for its most recently completed financial year. The Company will provide to any person, upon request to the Corporate Secretary of the Company, one copy of its Annual Information Form, its annual and interim financial statements and the Management Discussion and Analysis related thereto, and this Information Circular.

The contents and the sending of this Information Circular have been approved by the Board of the Company.

Dated at Vancouver, British Columbia, this 7th day of April, 2011.



JOHN HORNING  
Senior Vice President, Chief Financial  
Officer and Corporate Secretary

# APPENDIX A: STATEMENT OF INTERFOR'S CORPORATE GOVERNANCE PRACTICES

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Interfor is committed to effective and best practices in corporate governance. Interfor is in full compliance with Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices ("**Governance Disclosure Rule**"). The disclosure contained below follows the Governance Disclosure Rule.

## Board of Directors

### **Disclose the identity of directors who are independent.**

The Corporate Governance & Nominating Committee has determined that all of the proposed directors, other than E. Lawrence Sauder and Duncan Davies, are independent. Biographies of each director, including their business experience and the names of other boards on whose board they serve, can be found in the "Election of Directors" on pages 6-9 of this Information Circular.

### **Disclose the identity of directors who are not independent and describe the basis for that determination.**

The Corporate Governance & Nominating Committee annually determines independence using the independence test set out in the Governance Disclosure Rule.

Duncan Davies, as President and CEO of Interfor, is an executive officer of the Company and as such, is not an independent director pursuant to the Governance Disclosure Rules.

E. Lawrence Sauder, Chair of the Board is independent of management, but not independent pursuant to the Governance Disclosure Rules.

### **Disclose whether a majority of directors are independent.**

The Board requires that at least a majority of its Board be independent. Seven of the nine nominees proposed for election as directors at the Annual General Meeting are independent.

### **If a director is presently a director of any other issuer that is a reporting issuer in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The directorships in other reporting issuers held by each director can be found in the "Election of Directors" on pages 6-9 of this Information Circular.

### **Disclose whether or not independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of 2010.**

At each regularly scheduled quarterly Board meeting, the Board meets "in-camera" without management other than the CEO present, followed immediately by a "non-executive" session without the CEO or any other member of management present. The Chair of the Board presides over these sessions. Immediately thereafter, the Board holds an "independent director" session at which only independent directors are present. The Lead Director chairs the independent director session. In 2010, there were 4 regularly scheduled quarterly Board meetings and therefore 4 "in-camera" sessions, 4 "non-executive" sessions and 4 "independent director" sessions.

If an issue should arise at any meeting where the interests of the controlling shareholder, i.e. Sauder Industries Limited, could be different from those of other shareholders, Mr. Sauder would leave the meeting. There were no such occasions in 2010.

**Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director and describe his or her role and responsibilities.**

The Chairman of Interfor's Board is Mr. Sauder and he is not independent. The Chairman's duties and mandate include leading the Board in its management and supervision of the business and affairs of the Company and its oversight of management.

Since the Chairman is not independent, the Board appoints a lead director who is independent following the Annual General Meeting to hold office until the next Annual General Meeting. The lead director is currently Mr. Bell. He provides independent leadership to the Board.

**Disclose the attendance record of each director for all board meetings held in 2010.**

See page 11 of this Information Circular for attendance records for each director. Directors are expected to attend all Board and committee meetings.

## **Board Mandate**

**Disclose the text of the board's written mandate.**

The Board's mandate is set forth in Appendix B to this Information Circular.

## **Position Descriptions**

**Disclose whether or not the board has developed written descriptions for the chair and the chair of each board committee.**

The Board has developed written position descriptions for the Chair of the Board and the Chair of each of the Board committees. It has also developed a written position description for the Lead Director.

The Chairman's duties include leading the Board in its management and supervision of the business and affairs of the Company, including ensuring that all matters relating to the Mandate of the Board are completely disclosed and discussed with the Board. The Chairman also leads the Board in its oversight of management.

The Lead Director is an independent director appointed by the Board following the Annual General Meeting. The Lead Director provides independent leadership to the Board by ensuring that the Board operates independently of management, the Board and its Committees fulfill their duties and responsibilities and the agenda for Board meetings is sufficient to enable the Board to successfully fulfill its Mandate.

**Disclose whether or not the board and CEO have developed a written position description for the CEO.**

The Board has developed a written position description for the CEO. The Management Resources & Compensation Committee annually reviews and, if appropriate, recommends to the Board approval of the CEO's goals and objectives and his Position Description and ensures that they are aligned with the Mandate of the Board. The Board approves the CEO's goals and objectives. The Management Resources & Compensation Committee is also responsible for monitoring the performance of the CEO against his annual goals and objectives and reports its conclusions back to the Board.

## Orientation and Continuing Education

**Briefly describe what measures the board takes to orient new directors regarding i) the role of the board, its committees and its directors, and ii) the nature and operation of the issuer's business.**

The Corporate Governance & Nominating Committee ensures orientation and continuing education programs are available for directors. All new directors receive a handbook that contains the governance practices of the Company including the Terms of Reference and Policies for Directors and Executives, and lists the members of the Board and each of the Committees. New directors also receive an overview of the Company's business, management, financial reporting and accounting policies and procedures, strategic plan, risk management plan, financial position and other topics. The orientation program may also involve a tour of the Company's manufacturing and forestry operations.

To enable directors to deepen their familiarity with different areas of the Company, the Board rotates from time to time individual directors onto different committees.

**Briefly describe what measure, if any, the board takes to provide continuing education for its directors.**

As part of on-going education, management updates the directors on industry developments, forest policy changes and legal and regulatory changes pertaining to public companies. Mill tours are provided from time to time with a focus on capital expenditures, safety or the environment. The Board also participates annually in extensive strategic planning sessions.

In 2010, management conducted or organized the sessions noted in the table below.

Date	Subject	Attendees	Presented by
February 10 April 21 October 20	Quarterly updates governance updates, including emerging best practices and developments and proposed amendments to Canadian securities rules and regulation.	Corporate Governance & Nominating Committee	General Counsel
February 10 April 21 July 21 October 20	Quarterly updates on audit governance, regulatory compliance and major accounting policies	Audit Committee	External Auditors
February 11 April 20 July 22 October 21	Update on industry developments and forest policy changes.	Environment & Safety Committee	Management
February 10 April 21 July 21 October 20	International Financial Reporting Standards	Audit Committee	Management
April 20	Tour of Beaver and Forks Mills	Environment & Safety Committee	Management & Mill Manager, Port Angeles
June 9	Investor perspective	Entire Board	Industry analyst
June 9 July 22 September 14 October 21	Strategy Planning Session	Entire Board	Management

The directors are encouraged and authorized to participate in continuing education relevant to their roles and responsibilities on the Board and Committees. The Company will pay for the costs of continuing education relevant to the directors' roles on the Board and Committees. Costs of more than \$500 required prior approval of the Chair of the Board.

## Ethical Business Conduct

**Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: i) disclose how a person may obtain a copy of the code; ii) describe how the board monitors compliance with its code, and iii) provide a cross-reference to any material change report filed since the beginning of 2008 that pertains to any conduct of a director or executive officer that constitutes a departure from the code. Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in which a director or executive officer has a material interest. Describe any other steps the Board takes to encourage ethical business conduct.**

The Board has adopted a written Code of Conduct, which applies to all of Interfor's directors, officers and employees. The Code of Conduct is distributed to its directors, officers and employees in a Policy Manual and on the Company's intranet site. Each year, all salaried employees are asked to acknowledge that they have read and understand the Policy Manual including the Code of Conduct and undertake to abide by all of the requirements of such policies. In 2010, 100% of all salaried employees provided their acknowledgement and agreement to abide by the policies. The Code of Conduct is set forth in Appendix C to this information circular. It is also available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.interfor.com](http://www.interfor.com).

Divisional Managers, Vice Presidents and the Company's Corporate Secretary have an obligation to inform the CEO of any reported violations or suspected violations of the Code on a timely basis. The CEO is responsible for summarizing the violations and their resolution and reporting same to the Chair of the Audit Committee on a quarterly basis or if circumstances warrant, at the time the CEO becomes aware of the situation. Violations may also be reported directly to the Chair of the Audit Committee.

The Board has also established a Disclosure Policy, Whistleblower Policy, Financial Reporting Policy, Internet, Email and Computer Use Policy, Harassment Policy and Smoking, Drug and Alcohol Policy to promote ethical business conduct.

Finally, under the Business Corporations Act (British Columbia), the Company's Articles and the Board Terms of Reference, any director or executive officer who holds any office or possesses any property, right or interest that could result in the creation of a duty or interest that materially conflicts with the individual's duty or interest as a director or executive officer of the Company, must promptly disclose the nature and extent of that conflict. A director who holds a disclosable interest in a transaction or contract into which the Company has entered or proposes to enter may not vote on any directors' resolution to approve that contract or transaction.

## Nomination of Directors

**Describe the responsibilities, powers and operation of the nominating committee. Describe the process by which the board identifies new candidates for board nomination.**

In conjunction with the Chair of the Board, the Corporate Governance & Nominating Committee is responsible for assessing and making recommendations regarding Board effectiveness and establishing a process for identifying, recruiting, nominating and appointing new directors. The Chair of the Corporate Governance & Nominating Committee aims to identify impending vacancies on the Interfor Board as far in advance as possible to allow sufficient time for identification and recruitment of directors.

**Disclose whether or not the board has a nominating committee composed entirely of independent directors.**

The Corporate Governance & Nominating Committee is a nominating committee. The committee is comprised entirely of independent directors.

## Director and Officer Compensation

### **Describe the process by which the board determines the compensation for the issuer's directors and officers.**

The Management Resources & Compensation Committee is responsible for reviewing and approving the compensation for all executive officers of the Company, with the exception of the CEO. In the case of the CEO, the Management Resources & Compensation Committee reviews and recommends for approval by the Board the compensation of the CEO. This process is described on page 21 of this Information Circular.

The Board has delegated to the Corporate Governance & Nominating Committee the responsibility for reviewing and recommending to the Board the compensation of Board members. The Corporate Governance & Nominating Committee annually reviews Board compensation. See Director Compensation on page 15 of this Information Circular for further information on directors' fees and equity ownership.

### **Disclose whether or not the board has a compensation committee composed entirely of independent directors**

All of the directors of the Management Resources & Compensation Committee are independent in accordance with the Governance Disclosure Rule.

### **If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.**

The responsibilities, powers and operation of the Management Resources & Compensation Committee are described on page 14 of this Information Circular.

### **If a compensation consultant or advisor has, at any time since the beginning of 2010 been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained.**

In 2010, the Company retained Towers Watson to assist the Company in redesigning its TSR Plan, as described on page 25 of this Information Circular.

## Other Board Committees

### **If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

In addition to the Corporate Governance & Nominating Committee, Management Resources & Compensation Committee and the Audit Committee, the Board has established the Environment & Safety Committee. The mandate of the Environment & Safety Committee is set out on page 14 of this Information Circular.

Each committee operates in accordance with Board-approved terms of reference. Committee members are appointed annually following the Company's Annual General Meeting. The Corporate Governance & Nominating Committee, in conjunction with the Chair of the Board, recommends appointments to each of the committees. All committees have the authority, at Interfor's expense, to engage any external advisors it deems necessary to carry out their respective duties and responsibilities.

## Assessments

**Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.**

The Corporate Governance & Nominating Committee carries out a comprehensive assessment of the Board every second year. By way of a questionnaire, directors, other than the Chairman and the CEO, are asked to rate the effectiveness of the Board and each committee ("**Board Effectiveness Assessment**").

In the following year, the Corporate Governance & Nominating Committee asks directors to complete a mini assessment which targets those areas which the Board Effectiveness Assessment indicated that the Board or a committee could improve its effectiveness. As an alternative to the mini assessment, the Corporate Governance & Nominating Committee may ask Management to prepare a report setting out how it has addressed certain areas of concern identified in the Board Effectiveness Assessment.

The Board Effectiveness Assessment is conducted confidentially. The Chair of the Corporate Governance & Nominating Committee reviews the individual assessments and discusses any low rankings given by a director with the applicable director. The Corporate Governance & Nominating Committee discusses the collated results of the Board Effectiveness Assessment and reports same to the Board.

The Chair of the Board annually evaluates the effectiveness of individual directors through discussions with each director.

## APPENDIX B: MANDATE OF THE BOARD

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### MANDATE OF THE BOARD OF DIRECTORS (the “Board”) OF INTERNATIONAL FOREST PRODUCTS LIMITED (the “Company”)

#### **Objective of the Board**

To ensure that the business and affairs of the Company are conducted in the best interests of the Company and in conformity with the law.

#### **General Duty of the Board**

To promote a strong, viable and competitive company operating with honesty and integrity and to supervise the Company's management (“**Management**”) in the conduct of the affairs and business of the Company.

The Board delegates the responsibility for the day-to-day conduct of business to the Management of the Company.

#### **Stewardship Responsibilities of the Board**

1. To establish an effective process of corporate governance, including principles and guidelines specific to the Company.
2. To ensure the Company has a strategic planning process in place and approve the strategies that evolve from this process.
3. To identify the principal risks facing the Company and ensure that systems are in place to manage these risks.
4. To appoint, assess and compensate officers, in particular the Chief Executive Officer (“**CEO**”), and to approve a plan for succession and training of Management.
5. To ensure the Company has an effective two-way communication policy with shareholders, other stakeholders and the public.
6. To ensure effective internal controls and information systems exist to provide reliable historical and forward-looking information with respect to financial matters, environmental matters and other regulatory compliance.
7. To ensure the integrity of the Company's reporting of its financial performance.
8. To satisfy itself of the integrity of the CEO and Management and to ensure that a culture of integrity exists throughout the Company.
9. To ensure that the Company complies with all health, safety and environmental legislation in all areas in which the Company operates.

The Board may establish committees of the Board (“**Committees**”) and delegate certain of the Board's responsibilities to such Committees. The Board is responsible for appointing the Chair and members of each Committee in accordance with the Terms of Reference for each Committee.

## APPENDIX C: CODE OF CONDUCT

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Business ethics and corporate social responsibility are issues that are extremely important to the ongoing success of any company. International Forest Products Limited's goal is to be a company that conducts itself to the highest standards. The reputation of International Forest Products Limited, including its subsidiaries, (collectively "Interfor") will be determined by the conduct of our employees. Therefore, Interfor has developed a Code of Conduct, including a set of Core Values and Guiding Principles (the "Code") to clearly lay out the standard of conduct expected of all directors, officers and employees of Interfor (collectively referred to as "We" or "Us").

### CORE VALUES

We will conduct ourselves with honesty, integrity and professionalism.

- **People:** People are the foundation of our business.
- **Safety:** Safety is a prerequisite for work.
- **Environment:** Environmental integrity must be maintained in everything We do.
- **Customers:** Customers pay our way.
- **Shareholders:** Returns to our shareholders facilitate investment, employment, and public benefits.

**We Are Responsible For Our Own Success.**

### GUIDING PRINCIPLES

While it is not possible to have a policy for everything We say or do, Interfor has adopted the following set of guiding principles and has outlined specific examples of how these principles are to be applied.

#### 1. We will maintain a high level of ethical and lawful conduct in everything We do

- We are expected to follow appropriate ethical and lawful behavior pertaining to our roles and responsibilities.
- We will not act unethically or unlawfully, or knowingly help another person act in this manner, in the conduct of their affairs.
- We will obey all laws (e.g. environmental, labour, forestry, taxation, securities) that apply to Interfor and our operations.
- We will be committed to honesty and forthrightness in all our communications, including those with shareholders, customers, suppliers, media, regulatory bodies, government and the public.
- We will ensure that all people We deal with in carrying out our day-to-day roles and responsibilities are treated fairly, professionally and with respect.
- We will ensure that our accounting records, systems and practices, and financial communications are accurate, complete and conform to generally accepted accounting principles, as well as applicable laws and regulations. No asset, liability or transaction is to be concealed from management or Interfor's internal or external auditors.

- We will ensure that controls exist to protect Interfor's assets from fraud, theft or other losses.
- Information We receive in the conduct of our employment or responsibilities is deemed to be the exclusive property of Interfor and will be held in the strictest confidence.
- Interfor's Board of Directors (the "**Board**") has endorsed a Financial Reporting Policy, as contained in the Corporate Policy Manual, with which all employees are expected to comply.
- The Board has endorsed a Disclosure Policy for all employees, as contained in the Corporate Policy Manual, with which all employees are expected to comply.

## **2. Workplace safety is the uncompromised right and responsibility of all employees**

- The safety of all employees, contractors and others who work for, or provide services to, Interfor is a core value of Interfor.
- Interfor is committed to providing a safe workplace and will follow operating practices that protect people from hazardous and unhealthy conditions.
- Employees will be committed to carrying out their day-to-day roles and responsibilities with safety as their overriding priority.
- Employees will avoid situations or conduct which jeopardize their safety or the safety of others.
- The Environment & Safety Committee of the Board regularly reviews safety incidents and issues, and holds Management accountable for providing and enforcing safe work practices.
- The Board has endorsed a Health and Safety Policy for all employees and contractors, as contained in the Corporate Policy Manual, with which all employees and contractors are expected to comply.

## **3. Responsible stewardship of the environment is the duty of all employees**

- Meeting high standards of environmental responsibility is a core value of Interfor.
- Interfor and its employees will be committed to operating in compliance with all applicable environmental laws and regulations in carrying out their business activities.
- The Environment & Safety Committee of the Board regularly reviews environmental incidents and issues, and holds Management accountable for providing and enforcing sound environmental work practices.
- The Board has endorsed an Environment Policy for all employees and contractors, as contained in the Corporate Policy Manual, with which all employees and contractors are expected to comply.

## **4. We are committed to a workplace free from harassment and discrimination**

- Offensive, demeaning or harassing communication or behavior is unacceptable and will not be tolerated.
- We will not permit discrimination against anyone based on race, religion, gender, marital status, language, age, disability or any grounds prohibited by law.
- The Board has endorsed a Harassment Policy for all employees, as contained in the Corporate Policy Manual with which all employees and contractors are expected to comply.

## **5. Interfor is committed to being a good community partner**

- Interfor will support civic, educational, cultural, charitable and political organizations and events in the communities where We operate.
- Levels of support will be approved by the applicable divisional manager and Vice President.
- Political donations will be pre-approved by the President & CEO.
- Employees are encouraged to participate in activities that support their communities, however, activities that may conflict with day-to-to day business responsibilities must be approved by the applicable Divisional Manager and/or Vice President.

### **Applying the Principles Generally**

- Employees must read and comply with the Code.
- Interfor expects its executive, managers and supervisors to lead by example.

### **Applying the Principles to Specific Situations**

#### **1. Conflicts of Interest**

- Any activity, investment, interest or association that interferes, or could be perceived to interfere, with our independent judgment or objectivity in performing our jobs is considered a conflict of interest.
- A conflict of interest most often occurs when an employee or immediate family members are in a position to obtain a personal benefit at the expense of Interfor.
- We are expected to avoid such conflicts of interest or even the appearance of such a conflict of interest.
- Where a situation arises where a conflict of interest exists or may exist, We will disclose the conflict of interest to our Supervisor and ensure that any decisions in this regard are made by others not in a position of conflict of interest.

#### **2. Insider Information**

- Employees are not to trade in securities of Interfor if they are in possession of material information that has not been generally disclosed to the marketplace. The Board has endorsed an Insider Trading Policy, as contained in the Corporate Policy Manual, with which all employees are expected to comply.

#### **3. Giving and receiving gifts or entertainment**

- Exchanges of nominal gifts and hospitality are generally an acceptable part of doing business.
- Nominal value generally means gifts that are relatively inexpensive, do not involve cash or negotiable instruments and that are unlikely to be perceived as unduly influencing the recipient.
- Employees and immediate family members must not accept any gift or entertainment greater than nominal value from any Interfor supplier, contractor, customer or competitor unless:
  - The exchange is consistent with accepted local business practices (such as foreign cultures);
  - A clear business purpose has been identified for the exchange; and

- Prior approval has been obtained from Senior Management
- This guideline also applies to the giving of gifts or entertainment to suppliers, contractors, customers or competitors.

#### **4. Abuse of Position**

- Employees will not use their position to inappropriately influence or obtain a benefit from suppliers or customers of Interfor.
- Employees will not use their position to inappropriately influence or obtain a benefit from other employees.
- Employees will not override internal controls, Interfor policies or procedures and an employee must report any attempt by a Manager or Supervisor to do so, in line with the Whistleblower Policy, as contained the Corporate Policy Manual.

#### **5. Protection of Interfor Assets**

- Employees will not misappropriate Interfor assets for personal use.
- Employees will safeguard all assets and resources of Interfor.
- Employees will operate computer equipment and software applications in accordance with the standards outlined in the Internet, Email and Computer Use Policy contained in the Corporate Policy Manual.

#### **6. Improper Payments/Corrupt Practices**

- Employees are not to participate in or in any way be involved in corrupt practices including receiving or paying kickbacks or bribes or corrupting domestic or foreign public officials.

#### **7. Alcohol and Drugs**

- Any misuse of alcohol or prescription drugs, or the use of any illegal drugs, will jeopardize job safety and performance, and is not allowed in the Interfor workplace. Employees must not enter the workplace under the influence of alcohol or prescription drugs that impair safety and performance or illegal drugs.

#### **Criteria for Individual Judgment**

If you have questions about the implications of an intended action pertaining to any of the guidelines listed in the Code, ask yourself:

- Is anyone's life, health or safety endangered by this action (including your own)?
- Is the action legal? If legal, is it also the "right thing to do?"
- Does the action comply with Interfor policies and approved practices?
- Do I feel uncomfortable about doing this?
- Should I ask my Supervisor or Manager about this before I act?

- Would I, Interfor, or any other employee be compromised if this action was known by my Supervisor, Manager, Senior Management, co-workers, subordinates, customers, shareholders or regulatory authorities?
- Can I defend this action before my Supervisor, Manager and Senior Management?
- Is this action consistent with Interfor's stated Core Values?
- How would this action or situation appear to others if it were reported in the media or posted on an external website?

## **REPORTING CODE VIOLATIONS**

Employees must promptly report any conduct or proposed conduct that they reasonably believe to be a violation of this Code in accordance with the Whistleblower Policy.

## **WAIVER OF CODE**

In extraordinary circumstances and where it is clearly in the best interests of Interfor, the CEO or the Board may waive specific provisions of this Code. Any waiver of the Code for Directors or Officers of Interfor may only be granted by the Board, and will be promptly disclosed as required by law or stock exchange regulation.