

MATERIAL CHANGE REPORT

of

TIMBERWEST FOREST CORP.

National Instrument Form 51-102F3

1. Name and Address of Company

TimberWest Forest Corp. (the "Company")
Suite 2300 - 1055 West Georgia Street
P.O. Box 11101
Vancouver, British Columbia
V6E 3P3

2. Date of Material Change

December 12, 2008.

3. News Release

The news release (the "News Release") reporting the material change was issued on December 13, 2008 through Canadian News Wire Service.

4. Summary of Material Change

The Company announced a rights offering pursuant to which the Company will distribute rights that will entitle existing holders of stapled units of the Company to purchase up to \$50 million aggregate principal amount of 9% extendible convertible debentures of the Company. The Company also announced a private placement of \$100 million principal amount of convertible debentures having economic terms similar to those of the debentures being offered under its rights offering to two wholly-owned subsidiaries of British Columbia Investment Management Corporation, which have also agreed to purchase additional convertible debentures equal to the aggregate principal amount of the extendible convertible debentures not subscribed for under the rights offering. Finally, the Company announced that it has negotiated a comprehensive term sheet with its lenders regarding certain amendments to the loan agreement governing its existing credit facilities that would provide the Company with what it believes is sufficient flexibility to operate through the current market downturn.

5. Full Description of Material Change

The Company announced a rights offering (the "Rights Offering") pursuant to which the Company will distribute rights ("Rights") that will entitle existing holders of Stapled Units of the Company ("Unitholders") to purchase up to \$50 million aggregate principal amount of 9% extendible convertible debentures of the Company ("Debentures").

Under the terms of the Rights Offering, Unitholders will receive one right for each Stapled Unit held. For every 155.53088 Rights held, the holder of such Rights will be entitled to subscribe for \$100 principal amount of Debentures. The Rights and the Debentures will be qualified for distribution in each Province of Canada by way of a short form prospectus, and in the United States under a registration statement on Form F-7 to be filed with the U.S. Securities and Exchange Commission.

The Company also announced that it has entered into an investment agreement (the "Investment Agreement") with two wholly-owned subsidiaries of British Columbia Investment Management Corporation (together, "bcIMC") under which bcIMC has agreed to purchase \$100 million principal amount of convertible debentures of the Company ("Private Debentures") having economic terms similar to those of the Debentures (the "Firm Commitment"). In addition, bcIMC has committed to purchase an additional amount of Private Debentures equal to the aggregate principal amount of the Debentures not subscribed for under the Rights Offering (the "Standby Commitment" and, together with the Firm Commitment, the "Private Placement").

Under an investors' rights agreement to be entered into in connection with the Private Placement, the Company will agree to make certain additional covenants to bcIMC in relation to the Private Debentures. In addition, bcIMC will have the right to nominate two of the Company's directors provided that it continues to hold Private Debentures with an aggregate principal amount of \$50 million or more (or the equivalent in Stapled Units based on the applicable conversion price).

bcIMC does not currently hold any Stapled Units. Following the completion of the Private Placement, but without giving effect to the purchase by bcIMC of additional Private Debentures pursuant to the Standby Commitment, bcIMC will own Private Debentures convertible into approximately 36.7% of the currently issued and outstanding Stapled Units, and approximately 23.7% of the Stapled Units outstanding assuming the conversion in full of the Debentures and Private Debentures. Assuming that bcIMC also purchases the maximum number of Private Debentures that it is obligated to purchase under the Standby Commitment, bcIMC will own Private Debentures convertible into approximately 55.1% of the currently issued and outstanding Stapled Units, and approximately 35.5% of the Stapled Units outstanding assuming the conversion in full of the Private Debentures.

The Company also announced that it has negotiated a comprehensive term sheet with its lenders regarding certain amendments (the "Credit Amendments") to the loan agreement governing its existing credit facilities that would provide the Company with what it believes is sufficient flexibility to operate through the current market downturn. The Credit Amendments will become effective upon formal approval by the Company's lenders and execution of definitive documentation, and will be subject to the fulfillment of certain conditions, including the completion of the Rights Offering and the Private Placement and the application of \$75 million of the combined proceeds thereof to the repayment of a portion of the Company's existing credit facilities.

A full description of the material change can be found in the attached News Release.

6. **Disclosure for Restructuring Transactions**

Not Applicable.

7. **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not Applicable.

8. **Omitted Information**

Not Applicable.

9. **Executive Officer**

The following executive officer is knowledgeable about the material change and may be contacted for further information at:

Ms. Bev Park
Executive Vice President and
Chief Financial Officer
Tel. (604) 654-4666

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V6E 3P3

10. **Date of Report**

December 15, 2008.

TIMBERWEST FOREST CORP.

By: "Brenda Blue"

Brenda Blue
Controller and Corporate Secretary

News release via Canada NewsWire, Vancouver 604-669-7764

Attention Business Editors:
TimberWest Forest Corp. Announces \$150 Million Private Placement and
Rights offering Effecting Bank Refinancing

VANCOUVER, Dec. 13 /CNW/ - TimberWest Forest Corp. (TSX: TWF.UN) ("TimberWest" or the "Company") announced today a rights offering (the "Rights Offering") pursuant to which the Company will distribute rights ("Rights") that will entitle existing holders of Stapled Units of the Company ("Unitholders") to purchase up to \$50 million aggregate principal amount of 9% extendible convertible debentures of the Company ("Debentures").

The Company also announced that it has entered into an investment agreement (the "Investment Agreement") with two wholly-owned subsidiaries of British Columbia Investment Management Corporation (together, "bcIMC") under which bcIMC has agreed to purchase \$100 million principal amount of convertible debentures of the Company ("Private Debentures") having economic terms similar to those of the Debentures (the "Firm Commitment"). In addition, bcIMC has committed to purchase an additional amount of Private Debentures equal to the aggregate principal amount of the Debentures not subscribed for under the Rights Offering (the "Standby Commitment" and, together with the Firm Commitment, the "Private Placement").

The net proceeds of the Rights Offering and Private Placement will be used by the Company to reduce the indebtedness of the Company under its bank credit facilities and for general corporate purposes.

TimberWest also announced that it has negotiated a comprehensive term sheet with its lenders regarding certain amendments (the "Credit Amendments") to the loan agreement governing its existing credit facilities that would provide the Company with what it believes is sufficient flexibility to operate through the current market downturn. The Credit Amendments will become effective upon formal approval by the Company's lenders and execution of definitive documentation, and will be subject to the fulfillment of certain conditions, including the completion of the Rights Offering and the Private Placement and the application of \$75 million of the combined proceeds thereof to the repayment of a portion of the Company's existing credit facilities.

"TimberWest continues to experience very weak business conditions and this refinancing will allow the Company to overcome current challenges and provide sufficient flexibility to execute its business plan through the current downturn," said Paul McElligott, President and CEO.

Under the terms of the Rights Offering, Unitholders will receive one right for each Stapled Unit held. For every 155.53088 Rights held, the holder of such Rights will be entitled to subscribe for \$100 principal amount of Debentures. The Rights and the Debentures will be qualified for distribution in each Province of Canada by way of a short form prospectus, and in the United States under a registration statement on Form F-7 to be filed with the U.S. Securities and Exchange Commission.

The Rights are expected to be listed for trading on the Toronto Stock Exchange (the "TSX") and will be exercisable for 21 days following the date of mailing to Unitholders of the final short form prospectus for the Rights Offering. Unitholders who fully exercise their Rights will be entitled to subscribe for additional Debentures, if available, that were not subscribed for by other holders of Rights.

The Debentures will bear interest at an annual rate of 9% payable quarterly in arrears. The Debentures will initially mature on or about February 27, 2009 (the "Initial Maturity Date"). If the Credit Amendments have become effective before the Initial Maturity Date, the maturity date of the Debentures will be automatically extended to the fifth anniversary of the closing of the Rights Offering (the "Final Maturity Date"). The Debentures will be convertible at the option of holders into Stapled Units of the Company at any time after the Initial Maturity Date and prior to the earlier of (i) the Final Maturity Date and (ii) the last business day immediately preceding the date fixed for redemption of the Debentures, if applicable, at a conversion price of \$3.50 per Stapled Unit.

Subject to regulatory approval, and provided it has not made a cash

distribution on the Series A Subordinate Notes forming part of the Stapled Units (the "Subordinate Notes") during the relevant interest period, TimberWest may satisfy its obligation to pay interest on the Debentures by issuing and delivering Debentures in lieu of cash.

The Debentures will rank *pari passu* with all other debentures issued pursuant to the Debenture Indenture and, as to payment, with the Private Debentures. All payments in respect of the Debentures will be subordinate in right of payment to all senior indebtedness of the Company under its credit facilities, and senior in right of payment to the Subordinate Notes. The Debentures will be unsecured.

The Debentures will not be redeemable by the Company on or before the third anniversary of their date of issuance. After such date and on or prior to the Final Maturity Date, provided that the proposed amendments to the Subordinate Notes previously announced by the Company are approved by Unitholders and become effective, the Debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount plus accrued and unpaid interest, provided that the weighted average trading price for the Stapled Units on the TSX for the 30 consecutive trading days ending on a date that is no more than 10 business days prior to the date on which notice of redemption is given is at least 200% of the conversion price.

TimberWest has engaged Genuity Capital Markets, as lead manager, together with BMO Capital Markets and Raymond James Ltd. to act as dealer managers to organize and participate in the solicitation in Canada of the exercise of the Rights. Affiliates of the dealer managers may solicit the exercise of Rights in the United States in New York, and in certain other states from institutions to whom such solicitations may be addressed without registration under the relevant state securities or blue sky laws.

Concurrent Private Placement

Under the terms and conditions of the Investment Agreement, bcIMC has agreed to purchase \$100 million principal amount of Private Debentures. The Private Debentures will have economic terms similar to those of the Debentures being issued in the Rights Offering. In addition, the Private Debentures will be secured by a second priority security interest in all of the present and after-acquired personal property of the Company and its material subsidiaries and will be fully and unconditionally guaranteed by the Company's material subsidiaries on a joint and several basis. Under an investors' rights agreement to be entered into in connection with the Private Placement, the Company will agree to make certain additional covenants to bcIMC in relation to the Private Debentures. In addition, bcIMC will have the right to nominate two of TimberWest's directors provided that it continues to hold Debentures with an aggregate principal amount of \$50 million or more (or the equivalent in Stapled Units based on the applicable conversion price). With the expected addition of two new directors associated with bcIMC, two TimberWest directors, Ken Shields and Clark Binkley, have stepped down from the Board.

bcIMC does not currently hold any Stapled Units. Following the completion of the Private Placement, but without giving effect to the purchase by bcIMC of additional Private Debentures pursuant to the Standby Commitment, bcIMC will own Private Debentures convertible into approximately 36.7% of the currently issued and outstanding Stapled Units, and approximately 23.7% of the Stapled Units outstanding assuming the conversion in full of the Debentures and Private Debentures. Assuming that bcIMC also purchases the maximum number of Private Debentures that it is obligated to purchase under the Standby Commitment, bcIMC will own Private Debentures convertible into approximately 55.1% of the currently issued and outstanding Stapled Units, and approximately 35.5% of the Stapled Units outstanding assuming the conversion in full of the Private Debentures.

British Columbia Investment Management Corporation is an investment management corporation based in Victoria, British Columbia. With over \$85 billion in assets under administration as of March 31, 2008, global exposure and supported by industry-leading investment expertise, British Columbia Investment Management Corporation offers fund management services for all major asset classes, including currency and infrastructure investment. Its

clients include public sector pension plans, public trusts and insurance funds.

The Company will apply to list the Rights and the Stapled Units issuable upon conversion of the Debentures and the Private Debentures on the TSX. Under the applicable rules of the TSX, the Company would ordinarily be required to obtain Unitholder approval of the Private Placement as it both (i) materially affects the control of the Company, which under TSX rules is defined to include, among other things, a transaction that results in a new holding of more than 20% of the voting securities by a single securityholder, and (ii) involves the private placement of securities convertible into Stapled Units representing more than 25% of the number of Stapled Units currently outstanding. However, the Company will rely on the financial hardship exemption under section 604(e) of the TSX Company Manual in order to complete the Private Placement without Unitholder approval. The Company believes that the Private Placement will improve the Company's financial situation, and the independent members of the board of directors of the Company have determined that the Private Placement is reasonable in the circumstances. The TSX has advised the Company that reliance on this exemption will automatically result in a TSX review to confirm that the Company continues to meet TSX listing requirements. The Company believes that it currently complies with applicable TSX listing requirements and expects to continue to comply with such requirements following the completion of the Rights Offering and the Private Placement.

As a result of exceptionally challenging business conditions that have persisted since early 2007, the Company has disclosed during 2008 that it does not expect to remain in compliance with certain of its debt covenants under its loan agreement following the preparation and approval of its financial statements for the 2008 calendar year. In response, the Company has sought to negotiate appropriate amendments to the loan agreement governing its credit facilities. In doing so, it became apparent that the Company would need to raise capital from an alternative source of financing in order to reduce its indebtedness under its credit facilities and obtain amendments to the covenants thereunder necessary to avoid future potential events of default. By enabling the Company to reduce its indebtedness and fulfill the principal conditions of the Credit Amendments becoming effective, the Private Placement will significantly improve the Company's financial position.

The closing of the Rights Offering and the Private Placement is expected to occur in February 2009 and is subject to customary closing conditions and the receipt of necessary regulatory approvals, including the approval of the TSX.

Further details regarding the Rights Offering, the Private Placement and the Credit Amendments may be found in the preliminary short form prospectus of the Company which has been filed on SEDAR at www.sedar.com.

Forward Looking Statements

The statements contained in this press release which are not historical facts are forward-looking statements that involve risks and uncertainties. TimberWest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, general economic conditions, variations in TimberWest's product prices and changes in commodity prices generally, changes in market conditions, variations in harvest levels, changes in log transportation costs, actions of competitors, interest rate and foreign currency fluctuations, regulatory, harvesting fee and trade policy changes and other actions by governmental authorities including real estate zoning approvals, the ability to implement business strategies and pursue business opportunities, labour relations, weather conditions, forest fires, insect infestation, disease and other natural phenomena and other risks and uncertainties described in the prospectus relating to the Rights Offering and in TimberWest's other public filings with securities regulatory authorities.

/For further information: Bev Park, Executive Vice President and Chief
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CO: TimberWest Forest Corp.

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