

## ANNEX 12

**Working Group on Regional Exemptions**

1. The Parties shall establish a Working Group on Regional Exemptions (the "Working Group") to develop substantive criteria and procedures for establishing if and when a Region utilizes market-determined timber pricing and forest management systems and therefore that Softwood Lumber Products manufactured in the Region qualify for an exemption from the Export Measures. The Working Group shall serve as a forum for resolving differences between the Parties concerning timber pricing and forest management systems.
2. The Parties shall seek to establish the Working Group within 3 months after the Effective Date. The Working Group shall comprise representatives of each Party. Canada may include representatives of interested provinces in its delegation. The Parties may also decide to appoint to the Working Group non-governmental representatives from Canada and the United States with an interest in the operation of the SLA 2006. The Working Group may engage recognized experts in fields related to the operation of the SLA 2006 to prepare factual or analytic reports, and may establish such technical sub-groups as it deems necessary for the timely completion of its work.
3. The Working Group shall seek to provide recommendations to the Parties within 18 months after the Effective Date concerning the development of an addendum to the SLA 2006, including:
  - (a) substantive criteria for determining if and when a Region qualifies for exemption from the Export Measures in Articles VII through IX and Article X(2); and
  - (b) procedures, which may be included in the addendum if the Parties so agree, governing the form and content of applications that Regions may submit to the Parties for purposes of seeking an exemption from the Export Measures referenced in subparagraph (a).
4. Any dispute between the Parties regarding whether a Region has implemented or complied with the substantive criteria and procedures described in subparagraphs 3(a) and (b) may be submitted to arbitration under Article XIV.