

APPENDIX A

Ref: H-065



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INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Detailed Forest Management Plan Integrated Terms of Reference Version 1.4

Submitted to:

**Alberta Environment
Lands and Forest Service
Upper Hay District**

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INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

DETAILED FOREST MANAGEMENT PLAN

TABLE OF CONTENTS

1. Introduction	1
2. Legislation, Policies and other Initiatives Influencing Plan Development	2
3. Management Philosophy and Approach to Planning and Operations	6
4. Planning Process	7
5. Timelines	11
6. Overview of Preferred Management Strategies	12
7. Performance Monitoring	13
8. Public Involvement Strategy	14
9. Timber Supply Analysis	16
10. Common Challenges and Issues	20

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

1. INTRODUCTION

The Integrated Terms of Reference sets the framework for the development of the Detailed Forest Management Plan (DFMP). The DFMP will use the concept of sustainable forest management as outlined in the Interim Forest Management Planning Manual (April 1998). The DFMP is subject to approval by the director of Forest Management. The terms of reference describe who the companies are, what their philosophies are, why and how the DFMP is being developed, and the public involvement process.

The development of the Detailed Forest Management plan will progress in a modular approach. Key components of the plan will be submitted during development for approval. Each company, as well as stakeholders, is expected to sign off on these key components before submission. The key components are identified in the timelines on page 13. By balancing economic, social, and environmental values the companies will select the Preferred Management Strategy. Strategies explained in the DFMP will be linked to the goals and objectives. Each company will be responsible for development of the portion of the plan that involves their respective land base.

Under the existing FMA, a Detailed Forest Management Plan is to be submitted to the Regional Director and the Director of Forest Management Division of Alberta Environmental Protection by December 19, 2001

This Integrated Terms of Reference document is the companies' current action plan, which describes both Companies' understanding of the process leading to submission of the first Detailed Forest Management Plan for FMA 9600031.

The companies have developed a positive working relationship with all conifer and deciduous quota and adjacent FMA holders. The Companies have also created positive working relationships with local communities and First Nations.

Tolko Industries' High Level Lumber Division currently operates a sawmill in High Level, Alberta and maintains a professional Woodlands team to manage the resources associated with the FMA. The original High Level sawmill started as a small bush mill operation in the late 1950s by a local businessman. The Swanson Lumber Co. purchased the mill in 1963 and upgraded it in 1976, then sold it to Canfor in 1981. Daishowa bought the operation in 1990 and was joined by Marubeni in 1992, creating the new corporation of Daishowa-Marubeni International Ltd. (DMI). In November 1999, Tolko Industries Ltd. acquired the mill from DMI.

Footner Forest Products is a partnership between Grant Forest Products and Ainsworth Lumber Ltd. After being awarded the Deciduous Timber Allocation from the Crown, Footner Forest Products started construction of a world class Oriented Strand Board (OSB) facility in the fall of 1999. Approximately one year later the first Oriented Strand Board was produced. Some of the accomplishments over Footner Forest Products first year of operations are:

- The hiring of approximately 250 to plan, harvest and deliver deciduous timber, 30 people to complete the field work, and 170 to produce OSB.
- Footner has established relationships with three First Nations and Paddle Prairie Metis Settlement to deliver 33% of its wood supply through Volume Supply Agreements.
- Footner Forest Products Ltd. has a Volume Supply Agreement with La Crete Sawmills for a 'best quality sawlog'.

Detailed Forest Management Plan

Integrated Terms of Reference

Page 1 of 21

Version 1.4

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

2. LEGISLATION, POLICIES AND OTHER INITIATIVES INFLUENCING PLAN DEVELOPMENT

The following section outlines some of the enabling legislation and policies that influence the development of a Detailed Forest Management Plan (DFMP).

THE FOREST ACT

The Forest Act of the Government of the Province of Alberta (updated to July 16, 1996), in section 16(1) gives the Government of Alberta ('the Crown') the authority to enter into a forest management agreement with anybody for the purpose of establishing, growing and harvesting timber in a manner to provide a perpetual sustainable yield. Section 14(2) goes on to explain that the Minister may determine the annual allowable cut (AAC) of timber with respect to each forest management unit.

FOREST MANAGEMENT AGREEMENT 9600031

Tolko's portion of the DFMP will be developed under the authority of Forest Management Agreement FMA9600031.

Before the Company submits a plan referred to in subparagraphs (2), (3) and (4) to the Minister for his review and approval, the Company shall make reasonable arrangements required for and shall conduct public presentations and reviews of their proposed forest management plans. After these public presentations and reviews, the Company shall incorporate in the forest management plan its response to the concerns raised by the public respecting the proposed forest management plan and shall submit this plan to the Minister within the time specified in subparagraphs (2), (3) or (4) as the case may be for the Minister's review and approval.

Not more than five years after the commencement date of this Agreement, the Company shall submit for the Minister's approval a detailed forest management plan.

The Company shall prepare the forest management plans referred to in subparagraphs (2), (3) and (4) in accordance with the forest management planning manual prepared by the Minister, as amended from time to time. The planning manual contains provisions respecting the contents and preparation of forest management plans, and forest operations prescriptions, including public involvement and decision-making processes.

The Minister may require the Company, after discussing any proposed changes with the Company, to alter any of the methods described in its forest management plans before approving such plans.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

JOINT FOREST MANAGEMENT AGREEMENT

In the current Forest Management Agreement (O.C. 227/99) section 8. (5) the minister reserves the right to “negotiate in good faith the terms of a joint forest management agreement with Footner Forest Products Ltd. which will replace this agreement”, such joint forest management agreement to provide, among other things, that:

- a. the Company will maintain its entitlement on the forest management area as provided for in this Agreement; and
- b. Footner Forest Products Ltd. will obtain an entitlement to the deciduous timber in pure deciduous stands on the forest management area.

LETTER OF AGREEMENT

In the Letter of Agreement between the Government of Alberta and Footner Forests Products (Grant Forest Products Inc. & Ainsworth Lumber Co. Ltd.) dated June 22, 1999, under section F.3. (a) “Footner Forest shall work with HLFP (now Tolko High Level Lumber Division) in the development of the forest management plan”.

The ‘Letter of Agreement’ and the existing FMA set the foundation for the Crown to negotiate a ‘Joint Forest Management Agreement’ with Tolko High Level Lumber Division, which is ongoing. The FMA agreement states that if a ‘Joint FMA’ cannot be reached then the Crown will enter into an ‘Overlapping Forest Management Agreement’ with Footner Forest Products for management of the deciduous land base. *While waiting for the Joint FMA to be finalized, Footner Forest Products will commence the Detailed Forest Management Plan process as a deciduous FMA holder.*

LANDSCAPE AND PLANNING BOUNDARIES

In terms of land base and planning boundaries, the following sections of Tolko’s Forest Management Agreement will govern Tolko’s portion of the DFMP:

The Minister and the Company hereby enter into this forest management agreement in respect of the forest management area comprising, subject to paragraphs 4, 5 and 6, public lands within the boundaries shown outlined on a map registered in the Department, a copy of which is annexed hereto as Appendix “A” (in the FMA Agreement).

Out of the forest management area the following are excepted:

Areas that are subject of any timber dispositions issued pursuant to the *Forests Act*, prior to the date of this Agreement;

Lands that are the subject of a disposition issued pursuant to the *Public Lands Act*, prior to the date of this Agreement;

Lands in respect of which a timber disposition under the *Forests Act* or a disposition under the *Public Lands Act*, are pending prior to the date of this Agreement;

Lands which have been reserved under section 17(d) of the *Public Lands Act* or in respect of which a reservation is pending, prior to the date of this Agreement;

The beds and shores of all permanent and naturally occurring bodies of water and all naturally occurring rivers, streams, watercourses and lakes; and

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Lands contained within any Provincial Park, Forest Recreation area, Natural Area or Ecological Reserve prior to the date of this Agreement.

The map on page 7 identifies the extent of the Tolko High Level Forest Management Agreement area.

FOOTNER FOREST PRODUCT LTD. PLANNING BOUNDARIES

As described in the letter of agreement signed between the Crown and Footner Forest Products Ltd. June 22, 1999, the boundaries responsible for management planning are:

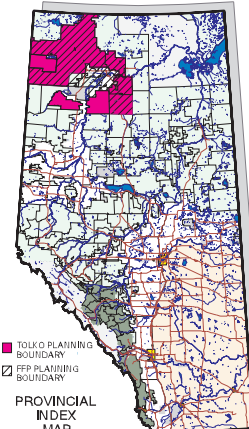
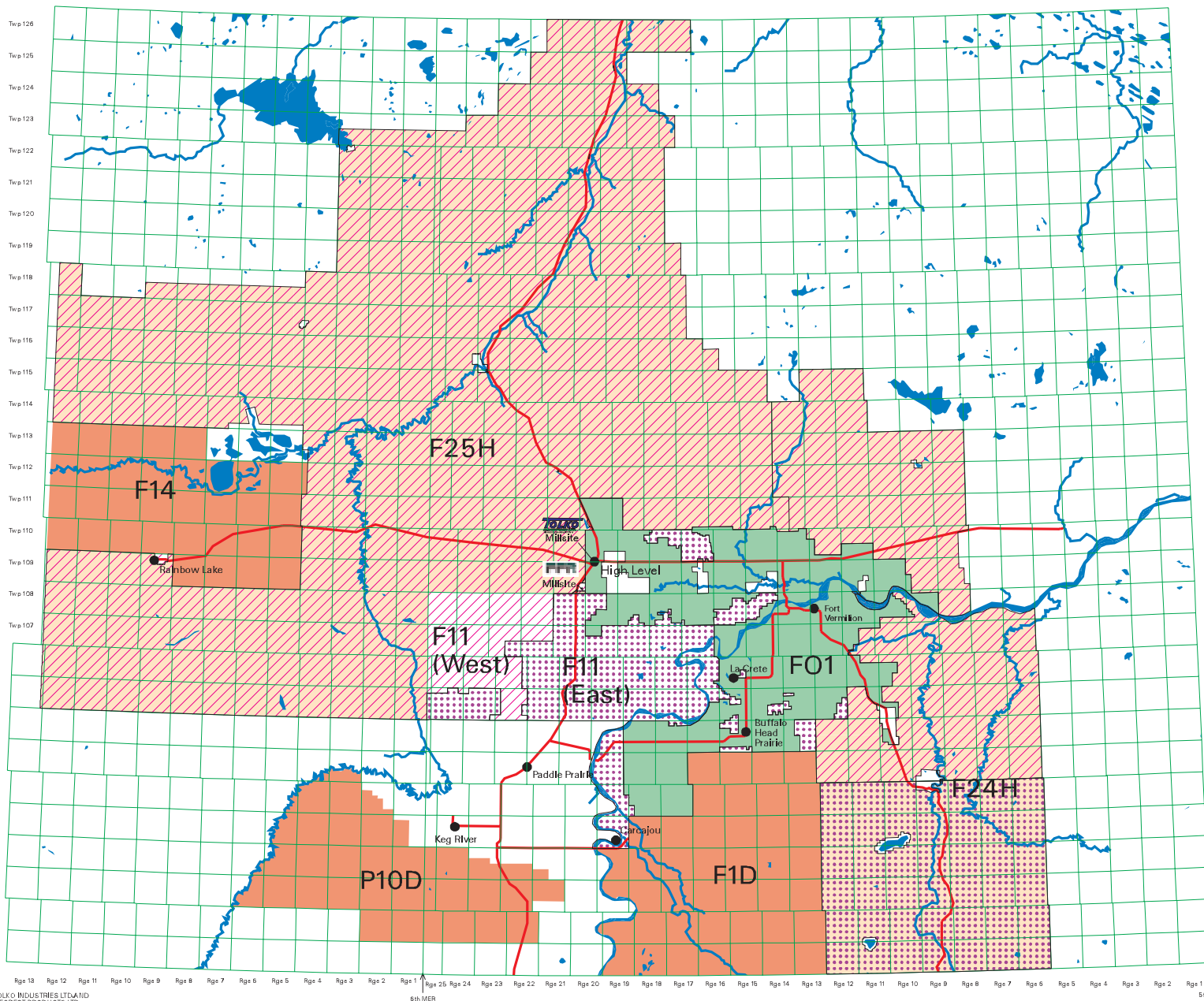
- ‘Area A’ – which includes Forest Management Unit (FMU) F25, FMU F11 West, and FMU F24 (minus the old FMU known as F2)

Footner Forest Products Ltd. holds deciduous timber allocations in FMU F11 East, FMU F51, and the old FMU known as F2.

OTHER LEGISLATIVE AND POLICY INFLUENCES

- The Forests Act and Timber Management Regulations
- Alberta Timber Harvesting Planning and Operating Ground Rules (1994)
- Interim Forest Management Planning Manual Guidelines to Plan Development (April, 1998)
- Alberta Forest Legacy document
- National forest management initiatives (i.e. Forest Accord, National Forest Strategy, Canadian Biodiversity Strategy).

TOLKO HIGH LEVEL LUMBER DIVISION (HLLD) AND FOOTNER FOREST PRODUCTS (FFP) PLANNING BOUNDARIES



PLANNING BOUNDARIES

	TOLKO HLLD FMA
	TOLKO HLLD QUOTA
	FFP AREA A
	FFP AREA B
	FFP AREA C

BASE FEATURES

	Major Roads
	Major Streams
	Lakes
	Towns/Cities



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TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

3. MANAGEMENT PHILOSOPHY AND APPROACH TO PLANNING AND OPERATIONS

The Companies are committed to long-term sustainable forest management following the principles of ecosystem management as defined in the Alberta Forest Legacy Document. To achieve this, a balance of economic, social and environmental goals will be required.

The Companies are committed to:

- Sustainable forest management and the consideration of a broad range of forest values
- Ensure the economic viability of the companies' operations.
- Develop and implement a Public Involvement Plan
- Determine and describe the desired future forest and ensure that management strategies are developed and implemented to ensure this is achieved.
- Increasing the security of the fibre supply through:
 - Optimum use of non-FMA fibre sources
 - Development of private woodlots, both corporate and through agreements;
 - Enhanced forest management;
 - Formation of strategic partnerships with other tenure holders to provide for the efficient utilization of timber.
- A coarse filter approach for setting ecological landscape management objectives in the desired future forest.
- A fine filter approach to monitor key species at risk.
- Develop and implement and maintain a Growth and Yield Program.
- Providing ongoing evidence of responsible and sustainable forest management including the demonstration of efforts designed to improve the quality and quantity of the timber resource.
- Practice adaptive forest management and change strategic and operational practices as required.
- Establish appropriate monitoring programs and associated protocols.

All of Footner Forest Products' philosophies and goals have been captured in the bullets above.

The companies will work in close cooperation with existing and potential quota/FMA holders, and with the Government to define and implement a broad landscape planning strategy.

Tolko will examine using natural regions and sub regions of Alberta to initially partition the land base into regional site productivity classes on the conifer landbase. Consideration may be given to further stratification of the land base into more refined landscape elements where such stratification will facilitate the broad management objectives.

Footner Forest Products will explore future landbase classifications. Currently, with the best information available, there are no significant benefits to stratify by natural sub region.

Tolko intends to take a proactive approach to AAC estimation and will introduce an aggressive plan to maximize the conifer harvest through management intervention on Tolko's land base. Implicit in this strategy is the utilization of full landscape planning and the concept of a range of management intensities.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

4. PLANNING PROCESS

The schematic on page 10 represents the planning approach that both companies propose. It will accommodate the inclusion into the planning process of a broad range of interests.

Planning Team

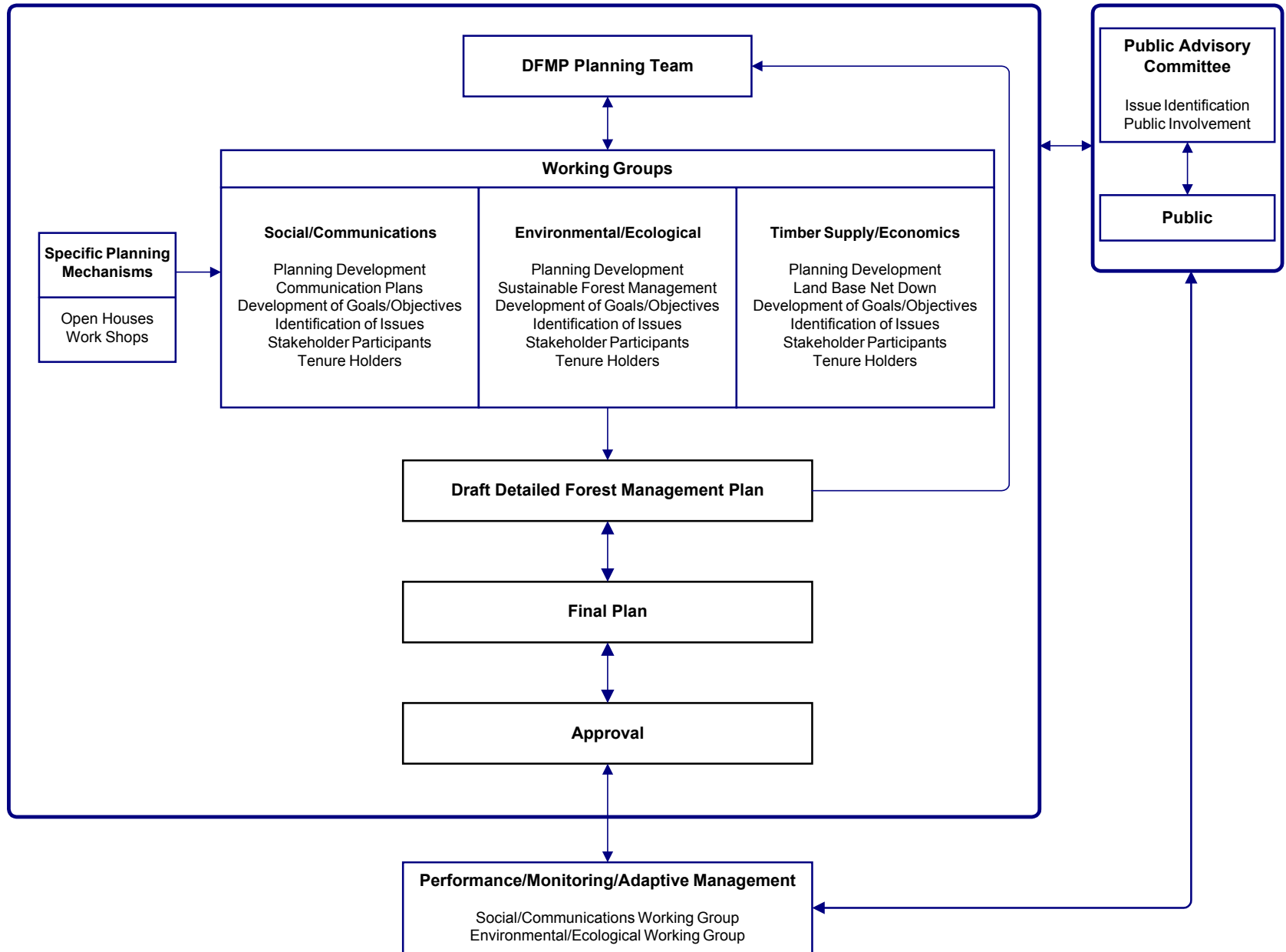
This team is made up of representatives from Industry, First Nations and Government. It is the responsibility of this team to communicate feedback, resolve issues and give direction to the Working Groups. The planning team will also communicate feedback back to the public and public advisory committee. For simplicity, focus and continuity, the Planning Team, outlined in this section will continue to be the principal vehicle, and will meet on a regular basis. This team will deal with strategic issues. Once the DFMP is approved, it is anticipated that detailed operational issues and maintenance of DFMP will be dealt with through the Upper Hay Planning Committee (Appendix 1).

Sustainable Forest Management Working Groups -DFMP PLANNING WITH THE PUBLIC FOR FMA9600031

On issues affecting Tolko's land base the planning team will utilize three working groups created through Tolko's Public Involvement Plan. Each working group represents an aspect of sustainable forest management. The working groups are identified as the Social/Communication group, Timber Supply Analysis/ Economics group and Ecological/Environmental group. These working groups will be a major component in developing the DFMP on Tolko's land base, and will report progress and receive direction from the planning team. Footner Forest Products will use the same working groups in their Public Participation Plan. In addition, all groups will provide progress reports to each other for review. Time is short and these groups will be responsible for the bulk of the work. The groups are not restricted to professionals. The public is welcome to participate.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.



INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Detailed Forest Management Plan

Integrated Terms of Reference

Page 9 of 21

Version 1.4

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Planning Team

The companies have assembled the following planning team to develop the initial Detailed Forest Management Plan (DFMP) for the High Level FMA. Additional representation from Government Services, including specialists within the Land and Forest Service and the Fish and Wildlife Service of Alberta Environmental Protection will be incorporated in the planning process at the request of the Director, Forest Management Division, or the Project Leaders.

Company / Affiliation	Personnel / Position	General Responsibility
Footner	Ken Smith Woodlands Manager (Acting)	<ul style="list-style-type: none"> • Liaison with AEP and stakeholders • Technical review and strategic planning
Tolko	Tom Hoffman Woodlands Manager	<ul style="list-style-type: none"> • Liaison with AEP and stakeholders • Technical review and strategic planning
Footner	Richard Chemago Divisional Forester	<ul style="list-style-type: none"> • Project Planning and administration • Timber Supply Analysis • Public Involvement Plan • Detailed Forest Management Plan
Tolko	Bob Boyce Divisional Forester	<ul style="list-style-type: none"> • Project Planning and administration • Timber Supply Analysis • Public Involvement Plan • Detailed Forest Management Plan
DMI	Wayne Thorp Woodlands Manager	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
DMI	Frank Oberle Management Forester	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
Zama Mills Ltd.	Gabriel Didzena	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
Tall Cree	Keith Badger	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
Little Red River	Jim Pearson / Hal Jeske	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
Local Advisory Committee	TBA	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues
La Crete Sawmills	Aaron Doepel	<ul style="list-style-type: none"> • Strategic Planning • Growth and Yield Analysis • Operational and sequencing issues

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Alberta Environment contacts

The companies anticipate that the AENV review team, assembled by the local Forest Area, will continue to take a leading role in assisting the formulation of the DFMP and provide agreement in principle on specific DFMP aspects

Table 1: AENV CONTACTS		
<i>Contact</i>	<i>Location</i>	<i>Position</i>
Upper Hay Forest Area		
Gail Tucker	High Level	Forest Area Manager Upper Hay Forest Area Northwest Boreal Region
Darrell Kentner	High Level	Area Forester Upper Hay Forest Area Northwest Boreal Region
Kim Morton	High Level	Regional Biologist Natural Resource Service Upper Hay Forest Area Northwest Boreal Region
Tracy Stewart	High Level	Forest Protection Technician Upper Hay Forest Fire Management Upper Hay Forest Area Northwest Boreal Region
Region Level		
Ken McCrae	Peace River	Regional Director Northwest Boreal Region
Marty O'Byrne	Peace River	Senior Forester Northwest Boreal Region
Karl Peck	Peace River	Senior Resource Analyst Northwest Boreal Region
Mike Maximchuk	Peace River	Forest Health Officer Northwest Boreal Region
Provincial Level		
Doug Sklar	Edmonton HO	Director Forest Management Division
Stephen Wills	Edmonton HO	Timber Management Forester Forest Management Division

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5. TIMELINES

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Timelines to agree with FFP

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6. OVERVIEW OF PREFERRED MANAGEMENT STRATEGIES

The detailed forest management plan for the Footner Forest FMA will have a clear link from goals and objectives to strategies and targets. It is expected that through the planning process outlined in section 4.0 of this document, objectives, strategies and targets will be identified to accomplish and fulfill our goals. Through this cooperative process, and recognizing the multiple objectives of the FMA agreement, the companies commit to the management philosophy outlined in Section 3. Sustainable forest management and the consideration of a broad range of forest values in determining forest management practices and strategies.

Tolko will develop a workable and unified mixedwood forest management strategy, which optimizes economic, social and ecological benefits from the forest resource on Tolko's landbase.

Footner Forest Products will choose a preferred management strategy that encompasses the company's philosophies and goals outlined in section 3.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

7. PERFORMANCE MONITORING

Upon the identification of goals and objectives and the selection of a preferred forest management strategy and targets, the companies will develop a monitoring program to ensure that we will meet the DFMP commitments.

The companies have made commitments to the practice of adaptive forest management and will change strategic and operational practices as required through a structured process identified in the DFMP. It is planned to have the Upper Hay Planning Committee deal with operational planning and maintenance of the DFMP while the public involvement process will be ongoing for the term of the forest management plan.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

8. PUBLIC INVOLVEMENT STRATEGY

Tolko

Tolko's focus under our public involvement initiative is and will continue to be directed to strategic issues since detailed operational issues are largely covered off under the existing legislative and regulatory framework. Where specific expertise is required to deal with an issue identified by the Planning Team, Tolko will rely on:

- An internal resource of staff, all of who have contacts with the academic community;
- A network of consultants who have direct experience in Boreal forest management;
- Liaison through forest industry associations and through direct contact with other forest companies.

Tolko's FMA document under Section 10 provides some guidance pertinent to the requirement for public involvement. The companies in consultation with the Planning Team, is formalizing both a schedule and a process for a formal public involvement plan.

Public involvement is the process through which people affected by the execution of a plan, and those who have an interest in the outcome, have a chance to influence decisions before they are made. The essence of Tolko's communication plan is to maintain and enhance ongoing public communication processes by providing the public an opportunity to participate in the Detailed Forest Management Planning process for FMA9600031. The process, which is defined in greater detail in a separate document, will complement the existing processes. It is primarily a forum for education, communication, and consultation. Resolution of specific issues will be achieved through an ongoing process of open dialogue and the exchange of relevant information. The public involvement plan document summarizes the consultation processes by which the Company proposes to meet its public involvement obligation in the Forest Management Agreement.

Open communication is one of Tolko Industries Ltd.'s core company values. We believe that open, constructive communication will lead to a shared commitment by all parties to achieve the goals agreed to. In addition to our corporate commitment to a public involvement process, Section 10 of the Forest Management Agreement states "the Company shall make reasonable arrangements required for and shall conduct public presentations and reviews of their proposed forest management plans. After these public presentations and reviews, the Company shall incorporate in the forest management plan its response to the concerns raised by the public respecting the proposed forest management plan and shall submit this plan to the Minister within the time specified in subparagraphs (2), (3), or (4) as the case may be for the Minister's review and approval."

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Footner Forest Products

Footner Forest Products has an obligation to present the Detailed Forest Management Plan to the public. The following section sets out how the Footner Forest Products will solicit and incorporate public input into the planning process:

Footner Forest Products will inquire with local communities, local Government and other stakeholders how they want to be involved with the DFMP process. Footner will ask these groups for input, and to assist us in advertising open houses to their constituents, members, resource users, and the general public. Footner Forest Products intends to present the DFMP to local communities, local Government and other stakeholders through mechanisms such as open houses, formal public meetings, and presentations.

Under the FMA three working groups have been established to gather public input. The three groups are the “Social Group”, the “Timber Supply Group”, and the “Ecological Group”. Footner Forest Products is actively participating in each one of these groups. Footner Forest Products will use these groups to identify issues.

Footner Forest Products will solicit and present the DFMP to the Joint Public Advisory Committee (PAC) through regularly held meetings and/or open houses or workshops. Footner Forest Products will be seeking input from the PAC and asking PAC to advertise our open houses.

Footner Forest Products will document and provide feedback on issues brought forward to the Company. Issues will be brought to the planning team for resolution and closure. If the Planning Team cannot resolve the issue, a conflict resolution process will be developed.

Footner Forest Products will provide information on the social, economic, and ecological values of the forest and knowledge of forest management practices to the public and stakeholders.

Footner Forest Products will provide information on research, and solicit input on research priorities.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

9. TIMBER SUPPLY ANALYSIS

For the Timber Supply Analysis to be completed the Companies will sign off on:

- *Forest inventory (AVI v 2.1)*
- *The recognition of each company's forest management goals and objectives*
- *Determining a productive land base net down*
- *Growth and yield curves*
- *Determining what timber model each company will use.*
- *The recognition and assessment of each company's resource management issues and values and development of strategies to address these*
- *Development and evaluation of possible resource management strategies and the selection and justification of the preferred forest management strategy both companies will use*

Analytical models for harvest scheduling and AAC estimation will include:

- *Long run sustained yield average (LRSYA);*
- *Unconstrained area volume check;*
- *Simulated harvest scheduling with the incorporation of harvest constraints including compartment sequencing and multi-pass harvesting, as well as other factors, which may constrain or enhance harvest scheduling as determined through the planning process.*
- *LRSYA and area-volume check calculations will be used to provide common sense crosschecks and validation of the simulation results.*

Items specific to Tolko Industries - High Level

The simulation model will be used to derive the feasible matrix of AAC estimates for both coniferous and deciduous species to provide flexibility in incorporating mixedwood yield curves and a realistic link to operational harvest constraints.

To date, existing provincial Phase 3 data, AVI forest inventory information in FMU F22, and land base estimates have been used to analyze Tolko's timber supply and examine short and long-term forest management strategies. New AVI forest inventory information, which is currently being audited and assembled in GIS format, will replace Phase 3 data. This new inventory database will facilitate integrated resource management planning - particularly the spatial and temporal analysis of mixedwood timber supply.

Implementation of this management approach may require revisions to existing (or the development of new) policies, programs, decision-making and planning processes, scientific/research efforts, and cooperative relationships between forest users. Tolko will incorporate these program revisions and new approaches, wherever applicable, into its analytical models to accommodate the assessment of non-timber resources affected by timber supply calculations.

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TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Items specific to Footner Forest Products

In the development of the timber supply analysis for the deciduous land base, Footner Forest Products recognizes and will address:

- Limited knowledge of deciduous utilization and growth and yield information.
- Low growth and yield mean annual increments compared to other companies in northern Alberta.
- Selection of Woodstock/Stanley as a timber supply model.
- Implementation of new strategies and practices as values and information change and/or improve.

CURRENT STATUS OF FOREST COMPANIES/FMA'S

Within the FMA Area the Annual Allowable Cut (AAC) commitments are:

Tolko will operate on the approved conifer AAC until the DFMP is approved. At that time the new AAC will take effect.

Footner Forest Products Ltd. will operate on the deciduous AAC as identified in the Letter of Agreement:

Area A – FMA

Forest Management Unit (FMU) F25	- 456,204 cubic meters
FMU 24 (minus F2)	-172,545 cubic meters
F11 West	- 47,696 cubic meters

Area B - Quota

FMU F2	- 30,000 cubic meters
FMU F11 East	- 22,000 cubic meters

Area C - Quota

F51	-100,000 cubic meters
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Daishowa-Marubeni International Ltd. deciduous AAC as identified by their quota certificate:

Quota

DTAF910001	- 179,837 cubic meters
F25 (incidental minus the DC in F13) ¹	- 151,051 cubic meters
F24 (incidental)	- 29,291 cubic meters

La Crete Sawmills holds volume supply agreements with both Footner Forest Products and Tolko High Level Lumber Division. The VSA represents approximately 10% of the two companies AAC.

¹ The forest cover group 'DC' represents the Deciduous/Coniferous stand under a forest inventory.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

Tall Cree First Nations as identified by their quota certificate:

Deciduous Quota

F24 (F5 – pure and incidental) - 65,735 cubic meters
F24 (F2 – incidental) - 14,265 cubic meters

Dene Tha First Nations as identified by their quota certificate:

Deciduous Quota

F25 - 2,229 cubic meters

The Crown has reserved the right to allocate both coniferous and deciduous volumes for Miscellaneous Timber Use purposes. This is done with the assistance of a Local Advisory Committee (LAC). Part of the LAC is currently made up of six ‘small’ mills in the La Crete area. The sawmills utilizing the conifer are Precision Lumber Products Ltd., Crestview Sawmills Ltd., and Evergreen Lumber. The sawmills utilizing the deciduous are Precision Lumber Products Ltd., Aspen Point Sawmills, and Ridgeview Mills Ltd.

The Crown has reserved the right to allocate the coniferous AAC in F11 West.

Conifer

F11 West (Footner Forest Product’s FMA) - 29,904 cubic meters

The Crown has reserved the right to allocate the deciduous AAC in F24 (the part previously known as F2).

Deciduous

F24 (F2) - 6,578 cubic meters

Surrounding the FMA Area

Little Red River First Nations on the east side of the FMA area has the allocation for both coniferous and deciduous fibre in F23.

Deciduous

Pure Deciduous - 168,535 cubic meters
Mixed - 50,059 cubic meters

Conifer

Pure Conifer - 186,383 cubic meters
Mixed - 43,042 cubic meters

Paddle Prairie Metis Settlement to the south of the FMA area has a Volume Supply Agreement with Footner Forest Products to deliver 100,000 – 175,000 cubic meters of deciduous fibre annually.

Imbedded in the west part of the FMA, the Dene Tha hold a quota certificate for 67% of the coniferous component and 100% of the deciduous component in F14.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

The Crown has the rights to the deciduous and coniferous AAC's in F11 East. As in F11 West the Crown distributes the allocations with the assistance of a LAC. The Crown's allocation is as follows:

F11 East (coniferous)	- 38,736 cubic meters
F11 East (deciduous)	- 38,736 cubic meters

Tolko High Level Lumber Division currently holds a quota certificate in F14 for 33% of the coniferous AAC.

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

10. COMMON CHALLENGES AND ISSUES

The Companies will identify issues through a public consultation process. The identification of challenges and issues will come from many sources such as the Public Advisory Committee, working groups, open houses, public meetings, and advertising for input from the general public. Following is an initial list of issues:

1. **Aboriginal Values**

The companies are committed to consulting Aboriginal communities in strategic and operational planning, encouraging input and making opportunities available to the First Nations. To ensure that aboriginal values, such as the following, are identified and considered:

- Traditional use areas
- Special sites such as medicinal plant or berry picking areas
- Historical, unique or spiritual areas Employment opportunities

2. **Special Management Area (SMA)**

The Special Management Area is an area the Government of Alberta and Little Red River Cree Nation and Tall Cree First Nation have committed to conduct a cooperative renewable natural resource management planning process. Both Companies have allocations inside the SMA and both participate on the Cooperative Management Planning Board and tech planning committee.

3. **Ecosystem Management**

- Development of Coarse Filter, objectives, strategies and targets.
- Management for species at risk (fine filter approaches)

4. **Timber**

- Development of mixedwood management strategies
- Forest Inventory of the conifer understorey
- Development of a Woodlot Management Program
- Recognition that both Companies have the right to harvest and grow timber as per their respective Crown Agreement's

5. **Aesthetics and Recreation**

- Identifying heavy use recreation areas and minimizing impact of forest management programs on these.
- Access Management
- Developing strategies to mitigate impacts on aesthetic values

6. **Soils**

- Replacement or rehabilitation of lands withdrawn from the productive land base

7. **Fish & Wildlife Management**

- Develop strategies with respects to woodland caribou.
- Developing strategies to mitigate impacts on watershed and riparian values

8. **Integration of Operational Planning**

- Agreements for information/data sharing including the use of a common forest inventory.

9. **Research Initiatives - SRFM Fund, NCE-SFM**

10. **Economic/Social Values**

11. **Silviculture Systems**

Detailed Forest Management Plan

Integrated Terms of Reference

INTEGRATED TERMS OF REFERENCE

TOLKO HIGH LEVEL LUMBER DIVISION & FOOTNER FOREST PRODUCTS LTD.

- Develop strategies to replace incidental conifer
- Operational implementation of silvicultural system options for boreal mixedwood on Tolko's land base

12. Operating Ground Rules

13. Forest Protection / Forest Health

The following challenges and issues are specific to Footner Forest Products:

- Joint DFMP Development
- Equal opportunity to improve the productive capacity of the forest
- Equal obligations with respect to forest management
- Shared costs and responsibilities for plan development.

The following challenges and issues are specific to Tolko industries:

- Summer log haul;
- Black spruce harvesting and regeneration challenges;
- Jack pine harvesting and regeneration challenges;
- Explore options for the management and timber production of low productivity, wet and non-traditional species sites;
- Tolko Industries' High Level Lumber Division inherited the estimated current annual allowable cut. In Tolko's opinion, the previous timber supply analysis produced results, which are inconsistent with the Company's vision and strategic plans for sustainable forest management on the High Level FMA. The productive forest landbase will likely support more than the original conifer AAC. Tolko has actively led in the management and utilization of small diameter pine and black spruce in other jurisdictions and intends to capture the potential yield from low productivity sites that were previously ignored on the High Level FMA. Net landbase determination procedures, for instance, underestimated the available productive conifer landbase. Mixedwood management policies and assumptions about management intensity, used in the previous AAC calculations, also unnecessarily reduced the AAC.
- Tolko will develop a workable and unified mixedwood forest management strategy, which optimizes economic, social and ecological benefits from the forest resource on Tolko's landbase.
- An approach to growth and yield estimation and determination of allowable cuts related to the composition and growth of regenerated stands on a mixedwood basis on Tolko's landbase.
- Tolko intends to develop a framework and strategies that effectively address fibre flow of both the deciduous and coniferous users on the Tolko's landbase. With the intent of carefully managing for both coniferous and deciduous species on the same landbase, we will be developing yield curves that are based on sound mixedwood management goals and strategies. We will strive to meet reforestation responsibilities, but our silviculture strategies will be designed to maintain not only multiple species but also the inherent ecological variability that is present within the forests that we manage.