TOLKO INDUSTRIES LTD.

&

Footner Forest Products Ltd.

2008 Detailed Forest Management Plan

Terms of Reference

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Executive Summary

As outlined in FMA0200040 (O.C. 281/2002), Tolko Industries Ltd. (HLLD) and Footner Forest Products Ltd. (FFP) (hereby referred to as "the Companies") are required to develop and submit to Alberta, a new Detailed Forest Management Plan (DFMP) for Forest Management Unit (FMU) F26 according to the Alberta Forest Management Planning Standard by September 11th 2007. *(This date has since been amended to October 31, 2008, as per approval letter dated March 12, 2007 from Executive Director, SRD.)*

Through the implementation of a Public Involvement Plan (PIP), the companies will identify local-level forest Values, Objectives, Indicators, and Targets (VOIT's) which strive to balance the economic, ecological, and social aspects of Sustainable Forest Management (SFM). These VOIT's will form the foundation of the DFMP which will be implemented through the selection of a Preferred Forest Management Strategy (PFMS) and 20-year Spatial Harvest Sequence (SHS) which provides the vehicle to achieve the desired future forest.

To develop the new DFMP, the companies and Alberta have developed this Terms of Reference (ToR) to outline the process for the development, implementation, and monitoring of the management plan. Development of the DFMP will follow the guidelines outlined in Version 4.1 of the Alberta Forest Management Planning Standard (April 2006) which align with the Canadian Standards Association (CSA) Z809:02 framework for SFM.

In addition to the VOIT's, the primary components of the DFMP include forest inventories, landbase descriptions, growth and yield programs, forecasting, ground rules, and monitoring programs; all of which require approval from Alberta and will be included in the final document. With the help of a Plan Development Team (PDT) consisting of representatives from the companies, Daishowa-Marubeni International Ltd (DMI) and Alberta, review of technical matters associated with plan development will be completed in an effective and timely manner. This PDT, as well as the Public Advisory Committee (PAC), and where appropriate, other experts and local stakeholders, will be involved throughout the process and be directly involved in the decision-making process including recommending agreement-in-principle at various stages throughout plan development.

It is the expectation of the companies that the new DFMP will also meet the SFM requirements of the Canadian Standards Association to ensure that the companies maintain their respective certificates to the Z809:02 forest certification standard.

(Note: This Terms of Reference for the 2008 DFMP is linked to the High Level Forests Public Advisory Committee Terms of Reference and the Public Involvement Plan, therefore a change in one document may trigger a change in another.)

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1.0 Introduction

Under the authority of Forest Management Agreement, Tolko Industries Ltd. and Footner Forest Products Ltd. (hereby referred to as "the companies") will be submitting a new Detailed Forest Management Plan for Forest Management Unit (FMU) F26 to Alberta Resource Development (ASRD) (hereby referred to as "Alberta") for review and approval by October 31, 2008 (date amended as per note in Executive Summary above).

The DFMP is a long-term forest management plan outlining management objectives for a Defined Forest Area (DFA) which in this case is FMU F26. These management objectives are derived through the implementation of a public involvement plan which helps identify local-level forest VOIT's for managing the DFA in a manner which ensures the social, economic, and environmental aspects of sustainable forest management are addressed. In addition to incorporating all pertinent federal and provincial legislation, the DFMP also includes a Timber Supply Analysis (TSA) and the selection of a Preferred Forest Management Strategy (PFMS) and Spatial Harvest Sequence (SHS).

This Terms of Reference document outlines the process for which the DFMP will be completed and will be structured in alignment with Section 5.3 of the Canadian Standards Association (CSA) Z809:02 standard. Consistent with the Alberta Forest Management Planning Standard (April 2006) (hereby referred to as "the Planning Standard"), this ToR document outlines the process for the development, implementation, and monitoring of the DFMP and has received approval from Alberta prior to its implementation. Some of the key components described in this ToR document include the following:

- Goals
- Timelines
- Internal & External Communication
- Roles, Responsibilities, and Obligations
- Conflict of Interest
- Decision-Making Methods
- Authority for Decisions
- Mechanisms To Adjust
- Access To Information
- Participants of Experts, Other Interests, and Government
- Dispute Resolution Mechanism

In addition, the ToR document also provides background to the companies, the FMA area, and our operations.

2.0 Company Background & Management Philosophy

Tolko Industries Ltd. (High Level Lumber Division - HLLD) was first established in High Level in 1963 however the current millsite has been in existence since 1976. Following ownership by Swanson Lumber Products Ltd. and Canadian Forest Products Inc., the sawmill was purchased by Tolko Industries Ltd. a Canadian-owned forest products company, from Daishowa-Marubeni International Inc. in 1999. The facility currently employs approximately 300 hourly employees and 50 salaried employees as well as an additional 500 people annually through the various aspects of our operations.

Footner Forest Products Ltd. (FFP) is world-class Oriented Strand Board (OSB) facility in High Level. FFP is a Canadian-owned forest products company and is a joint venture between Ainsworth Lumber Company Ltd. and Grant Forest Products Ltd.. Currently, there are approximately 175 people employed at its OSB facility and an additional 350 on an annual basis through the harvesting, road building, and hauling activities.

In October 2001, the companies moved closer in the integration of our activities on the landbase through implementing the concept of the "dissolved landbase" which can be defined as follows:

"A mutual volume supply area (FMA) that is sustainably managed in a balance of social, ecological, and economic values for both coniferous and deciduous timber throughout the forest management area."

Through the establishment of a dissolved landbase, the companies and the embedded tenure holders have the ability to manage for what exists on the landbase rather than managing the landbase by species covertype as determined by the inventory. As part of this commitment, the management and staff of both companies developed vision and mission statements to provide strategic-level direction for managing the FMA. These statements are as follows:

Vision
"We, Footner Forest Products Ltd. and Tolko Industries Ltd. will be innovative leaders in Sustainable Forest Management. Cooperatively, through continuous improvement we are committed to being efficient, professional, and profitable while balancing the values of our stakeholders."

Mission
"As private companies operating on the Forest Management Agreement area, Footner Forest Products Ltd. and Tolko Industries Ltd. are a team, working towards sustainable forest management to ensure profit for our shareholders while balancing the social, economic, and ecological values of stakeholders."

These statements are also reflected the companies respective Environmental Policies and Forest Management Principles which outline additional commitments to:

- Achieve and maintain Sustainable Forest Management (SFM);
- Meet or exceed all relevant legislation, regulations, policies, and other requirements to which the organization subscribes;
- Respect Aboriginal and treaty rights;
- Provide for public participation;
- Provide participation opportunities for Aboriginal peoples with respect to their rights and interests in SFM;
- Provide conditions and safeguards for the health and safety of DFA-related workers and the public;
- Improve knowledge about the forest and SFM and to monitor advances in SFM science and technology and incorporate them where applicable; and
- Demonstrate continual improvement in SFM.

These policy statements are consistent with 7.2 of the CSA Z809:02 forest certification standard and are available to the public upon request or through our respective websites[1].

3.0 Forest Management Background

3.1 Area of Operations

The area for which the companies are developing this DFMP is FMU F26[2], an area which is currently under a FMA between the companies and Alberta.

[1] The companies individual Environmental Policies and Forest Management Principles can be viewed online at www.tolko.com or www.footner.ca. These policies, as well as the FMA Vision and Mission are also available at www.highlevelwoodlands.com.

[2] Forest Management Unit (FMU) F26 did not administratively exist until the approval of the DFMP in 2004.

The boundaries of F26 extend to the British Columbia-Alberta border in the west with the northern boundaries extending to the Alberta-Northwest Territory border and along the southern boundary of the F10 and F20 FMU's, the former of which includes the Caribou Mountains Wildland Park. The eastern boundary of F26 borders the F23 FMU which is currently under tenure of Askee Development Corporation. The southern boundary borders the P8 and F11 FMU's as well as additional areas under tenure held by Manning Diversified Forest Products Ltd. (P16) and Daishowa-Marubeni International Ltd. (F1, S15, P5).

The F14 FMU as well as the Paddle Prairie Metis Settlement also lie adjacent to the F26 FMU along the western and southern boundaries respectively.

Figure.1. Map of the Forest Management Unit (FMU) F26.

3.2 Ownership Rights & Responsibilities

Although the companies are the FMA holders for FMU F26, there are a number of embedded tenure holders[3] operating within the boundaries of F26, each of which have been allocated timber allocations by

[3] Although not a formal tenure holder, LaCrete Sawmills Ltd. is also an active timber operator on the FMA through Wood Supply Agreement(s) with the companies.

Alberta as outlined in Table 1. To clarify, the Tenure Documents in effect as of this Terms of Reference will define the quota volumes and sources for the quota holders in the table below.

Table 1. Tenure Holders operating within FMU F26 and their associated fibre allocations.

Company	Disposition	Coniferous Volume		Deciduous Volume	
		AAC (m^3)	Utilization Standard	AAC (m^3)	Utilization Standard
Tolko Industries Ltd.	FMA0200040	1,196,000	15/11	0	0
Footner Forest Products Ltd.	FMA0200040	0	0	694,779	15/10
Ridgeview Mills Ltd.	DTAF260002	0	0	18,288	15/10
Precision Lumber Products Inc.	DTAF260001	0	0	18,288	15/10
Netaskinan Development Corporation Ltd.	DTAF260003	0	0	30,000	15/10
Netaskinan Development Corporation Ltd.	DTAF260004	0	0	50,000	15/10
Che K'Li Enterprises Ltd.	DTAF260005	0	0	2,230	15/10
Daishowa-Marubeni International Ltd.	DTAF260006	0	0	179,837	15/10
Community Timber Program	FMA0200040	4,000	15/11	6,578	15/10
Totals		**1,200,000**		**1,000,000**	

Although the companies have the right to establish, grow, harvest, and remove coniferous and deciduous timber (Sec.2 (2), FMA0200040), the province of Alberta maintains all land rights which also includes the withdrawal of land(s) for a variety of purposes as outlined in 6 (1) of the FMA.

3.3 Biophysical Description of the Area

The Forest Management Agreement area overlaps predominately with the Boreal Forest Natural Region (See Figure 2.). With the exception of the Peace River Lowlands Sub-Region, all the Sub-Regions within the Boreal Forest Region are included within the FMA (i.e. Central, Dry, and Wetland Mixedwood, Sub-Arctic, and Boreal Highlands).

In addition to the Boreal Forest Natural Region, the FMA also includes the Foothills Natural Region, which is located in the Rainbow Operating area. Although the Foothills Natural Region includes two Sub-Regions, only the Lower Foothills Sub-Region is present in the FMA.

The Mixedwood and Peace River Lowlands sub-regions are similar in that they have overstories dominated by white spruce, balsam fir, aspen, balsam poplar, and white birch, with admixtures being common. Dry and sandy sites tend to be dominated by jack pine in all ecological areas except the sub-arctic where both jack pine and lodgepole pine predominate while black spruce and tamarack dominate the forested wetland areas.

The Boreal Highlands are ecologically similar to the Mixedwood sub-regions, except that jack pine hybridize with lodgepole pine and these hybrids are found intermixed with white spruce, aspen, and

balsam poplar. Black spruce stands occur frequently on upland sites and pure conifer forests occur at higher elevations. Black spruce stands are the dominant forest type in the sub-arctic sub-region. Lodgepole pine, jack pine, white spruce, and aspen occur on well-drained sites. Poorly drained black spruce bogs with permafrost within 50 cm of the soil surface dominate the majority of this sub-region.

The Lower Foothills sub-region forms a transition between the aspen–white spruce-dominated Boreal Mixedwood sub-regions and the lodgepole pine-dominated upper foothills. This sub-region is characterized by the co-dominant occurrence of aspen, poplar, lodgepole pine, and white spruce. Black spruce and tamarack are common on wet, low-lying sites.

Figure 2. Map of the Natural Sub-regions which overlap Forest Management Unit (FMU) F26.

3.4 Forest Management Background

In December 1996, High Level Lumber Division (HLLD) (then Daishowa-Marubeni International Inc.) signed the areas first Forest Management Agreement with the Alberta government. With the signing of this agreement, the government transferred responsibility of forest management planning (harvesting, reforestation, road building, etc.) throughout the region to HLLD which retained the right to establish, grow, harvest, and remove coniferous timber from the FMA area.

In 2000, to address the requirements outlined in the 1996 FMA, HLLD began development of the area's first DFMP. However, with the onset of FFP that year, both companies proceeded with the development of an integrated DFMP for FMU F26 during which time the companies and the province of Alberta signed a joint Forest Management Agreement (O.C. 281/2002, September 11th 2002). Similar to the 1996 FMA, the signing of the joint FMA with Alberta, allowed the companies to retain the rights to establish, grow, harvest, and remove both coniferous and deciduous timber from the FMA area (Section 7(1), FMA0200040, O.C. 281/2002).

Forest management planning on the FMA was enhanced in 2003 as the companies initiated development of a SFM Plan to meet the CSA Z809:02 forest certification standard. To meet the CSA standard, the companies enhanced the existing PIP and identified additional local-level forest VOIT's for managing the DFA. The SFM Plan, in addition to the DFMP which was approved by Alberta in January 2004, would provide direction in the future management of the DFA to meet the social, environmental, and economic aspects of sustainable forest management.

Consistent with Section 10(4) of the FMA, the companies are required to submit to Alberta an integrated DFMP for approval within 5 years of the commencement of the FMA. Given the alignment between the Planning Standard (2006) and the CSA Z809:02 standard, it is the expectation of the companies that the updated DFMP will meet the requirements of Alberta as well as the CSA to maintain the companies respective registrations to the Z809:02 standard.

4.0 Content

As indicated in the Planning Standard (2006), the standard, its' annexes, interpretive bulletins, and updates comprise the guidelines for preparing and implementing forest management plans in Alberta. However, in the companies review of the current version of the Planning Standard, there are number of requirements which are inconsistent with the terms outlined in the companies FMA with Alberta or with current management strategies being implemented on the DFA.

These inconsistencies pose significant challenges for the companies to implement primarily due to their direct impact on costs and the timelines associated with the development and implementation of the 2008 DFMP. In addition, the existing VOIT's identified through previous planning processes differ from those proposed in Annex 4 of the Planning Standard (2006) which will present additional challenges to ensure alignment.

To align the existing SFM Plan and PFMS associated with the current DFMP with the new provincial requirements outlined in the Planning Standard , the companies are requesting approval from Alberta to implement a transition strategy.

This section describes a summary of those requirements outlined in the new Planning Standard which the companies feel are not possible to implement given the timeframes associated with the development of the 2008 DFMP . However, in each instance the companies are proposing alternate strategies to address concerns while meeting the needs of Alberta without losing the intent of the requirement. Although all inconsistencies and areas of concern regarding the Planning Standard have not been specifically identified below, it is the expectation of both the companies and Alberta that the parties shall discuss the additional requirements (ex. VOIT's, Timber Supply Analysis (TSA) requirements, etc.) as they arise and agree on an appropriate strategy at that time.

Agreement on the transition strategy or any additional requirement(s) that arises during the development of the plan will either be incorporated into this ToR document, formal correspondence between the companies and Alberta, or will be reflected in Plan Development Team (PDT) meeting minutes.

In addition, in the event that there are revisions or updates to the Planning Standard , its' annexes, or interpretive bulletins following the commencement of plan development, the companies and Alberta agree to discuss the impact of the revision(s) or update(s) and come to a mutually acceptable agreement outlining how to proceed.

Insects & Disease (2.3.1 - Depletions)

"Depletions are current as of the effective date"

The companies are requesting that alternative proposals regarding areas infested by insect and disease be entertained by Alberta and that those alternatives not be limited to those outlined in 2.3.1 and 2.1.2.2 (Annex 4) of the Planning Standard. The companies are committed to assessing the effectiveness of the current Spruce Budworm Management Plan (approval date: April 28th 2005) and exploring alternative approaches with Forest Health Section of Alberta for incorporation into the 2008 DFMP.

Forest Inventory (Section 2.3.2 - Inventory Date)

"The forest cover typing in the AVI used in a FMP has been updated according to approved inventory update standards, and no more than 10 years prior to the effective date".

The companies are committed to conducting and maintaining a forest inventory for the FMA area consistent with the requirements outlined in Section 15 (1) (2)) of the FMA document (O.C. 281/2002).

For the 2008-2017 DFMP, the companies intend on using the same inventory used for the 2003 DFMP with the exception of updated inventory for both the Ponton and Hay Operating Areas (See 6.1.1 for details). Since the effective date of the inventory will be based on the approval date(s) for both operating areas by Alberta, all depletions (i.e. harvest areas, land-use activity, fires, insects and diseases, blowdown, etc.) will be updated to reflect the effective date.

Visual Quality (5.8.14 - Visual Quality Strategies have been Established)

"*Strategies to address visual quality must be identified and implemented. A visual resource inventory and objectives shall be addressed. See Timber Harvest Planning and Operating Ground Rules for specific guidance."*

While the companies are committed to incorporating social values such as visual aesthetics into our strategic and operational plans, the companies do not intend on completing detailed inventories and/or analyses as part of the 2008 DFMP. During the assessment of the SHS associated with the PFMS, the companies in consultation with our PAC and Alberta will assess the concentration of harvesting activity in areas which may be of concern. Although adjustments to the SHS will be made where appropriate, operational strategies at the stand-level to address other values (i.e. residual retention – See 1.1.2 in Annex 4 of the Planning Standard) can be implemented to ensure visual objectives are achieved.

Details regarding such strategies will be incorporated into the updated Upper Hay Regional Ground Rules which will be developed concurrently with the 2008 DFMP.

Productivity Losses (5.8.9 - Roads, Decking, and Processing Areas)

"*A 5% reduction in reforested area following harvest shall be incorporated into the TSA to account for losses from unsuccessfully reclaimed temporary roads, decking, and processing areas. Organizations may minimize this reduction through analysis of survey data on actual losses in each FMP."*

Although the companies recognize the potential impact of such landbase losses following harvest, the companies remain active in reclaiming roads, decking, and processing areas through active site preparation and/or reforestation activities.

The companies, in consultation with Alberta, are committed to developing a monitoring strategy involving the collection of regeneration data from roads and/or landings throughout the implementation of the 2008-2017 DFMP by October 31, 2008, the results of which could be incorporated into future Timber Supply Analyses (TSA).

Landbase Determination (3.3 – Linear Developments)

"Linear developments (e.g. roads, pipelines, seismic lines, trails) not captured because the widths of these features are less than the minimum widths captured in the AVI must be excluded from the net landbase. Detectable seismic activity, captured in the provincial base features access layer, must be removed from the net landbase. The process for handling these features for inventory and volume sampling must be acceptable to Alberta, and described in the ToR."

The companies have developed an alternate process for addressing linear developments in the development of the 2008 DFMP. This alternate strategy will be submitted to Alberta under separate cover with formal approval(s) being outlined in correspondence from Alberta or through PDT meeting minutes throughout the development of the DFMP.

Landbase Designations (Appendix C – 1.1-1.5)

Consistent with the FMA and the concept of the "dissolved landbase" (subject to Tenure) outlined in Section 2.0 of this document, assignment and management of the DFA based on deciduous and conifer landbases restricts management strategies by adding unnecessary constraints to fibre-supply and other non-timber values. The companies would like the opportunity to develop and implement management strategies for the DFMP based on sound science and not the landbase designations outlined in the Planning Standard.

Flexibility from Alberta in this area will not only be consistent with tenure, it will also provide opportunities to fully maximize both the timber and non-timber values of the DFA.

Spatial Harvest Sequence Variations (Section 6.5)

The Planning Standard outlines a list of categories for describing variances from an approved SHS. However in 2004, following the development of the Upper Hay Regional Ground Rules (UHROGR) for the FMA, additional categories for variances were identified and agreed to by Alberta.

Unless otherwise agreed to by the companies and Alberta, the current list of variance categories outlined in the UHROGR will continue through the implementation of the 2008-2017 Spatial Harvest Sequence.

Growth & Yield (Annex 1)

"The calibration of yield projections for natural stands must be based on inventory data from the DFA"

Since the DFA boundary is a legislative boundary and not an ecosystem boundary or ecological zone, the companies would like the opportunity to explore utilizing data from outside the DFA to supplement data from inside the DFA where opportunities exist. The companies will ensure that Alberta approves any additional data used to supplement existing data prior to its use.

5.0 Goals

The companies have several goals in the development of this ToR document. They include:

1. Provide stakeholders and members of the general public background on the companies, the DFA, as well as previous and ongoing forest management initiatives;
2. Provide clarification on the expectations outlined in the new Planning Standard and develop an appropriate transition strategy.
3. Outline the process for the development, implementation, and monitoring of the DFMP.
4. Outline specific timelines for the development of the DFMP.

6.0 Timelines

The Detailed Forest Management Plan for FMU F26 will be submitted to Alberta on October 31, 2008. Figure 3 illustrates the schedule for the development, approval, and monitoring process for the critical components of the 2008 submission. Throughout development of the DFMP, these timelines will be reviewed by the PDT to assess submission(s) status and make changes to the schedule(s) where deemed appropriate.

Figure 3. Timelines for the development, approval, and monitoring of the Detailed Forest Management Plan (DFMP)

6.1 Forest Inventory

6.1.1 Alberta Vegetation Inventory (AVI)

In 2003, the companies initiated a continuous Alberta Vegetation Inventory (AVI) forest re-inventory program for the FMA area.

Unlike the 1994 forest inventory for which the 2003 DFMP was developed, the proposed continuous re-inventory of the Alberta Vegetation Inventory (AVI) will be updated annually and completed by individual operating area starting with the oldest first (i.e. Ponton and Hay). Future sequencing will continue to incorporate age, harvest sequencing, or catastrophic natural disturbances such as fire.

For the upcoming submission of the DFMP, the new inventory for both the Ponton and Hay Operating Areas will be included in the analyses pending approval[4] from Alberta.

The companies will be using a survey of the pre-1991 harvest areas to verify yield trajectories and address 3.12 of the Planning Standard. Consistent with the Planning Standard, any program that is implemented to verify yield projections will be approved by Alberta.

6.1.2 Enhanced Vegetation and Hydrology Inventory

In addition to the continuous forest re-inventory program outlined in 6.1.1, the companies have also initiated an enhanced vegetation and hydrology inventory of selected compartments throughout the FMA area.

To date, this inventory has been used primarily for operational purposes, however for the upcoming DFMP, the companies will be exploring its use as part of the Timber Supply Analysis (TSA) and selection of the PFMS. The companies and Alberta will continue to discuss the methodology, current data, and it's potential application and incorporation in the development and implementation of the DFMP.

Agreement between the companies and Alberta on the use of the enhanced vegetation and hydrology inventory is required prior to the submission and approval of the landbase description.

6.2 Public Involvement Plan

The companies implemented a comprehensive Public Involvement Plan (PIP) during the development of the 2003 Detailed Forest Management Plan (DFMP), a plan that was enhanced in 2003 as part of the development of the SFM Plan[5] to meet the CSA Z809:02 standard.

[4] Although complete approval of the Ponton Operating Area is expected prior to completing the landbase description, formal approval of the Hay Operating Area may not be possible due to limitations associated with timelines as illustrated in Figure 3. In the event that complete approval for the Hay Operating Area by Alberta is not possible, the Companies will propose the completion of the landbase description and other related analyses using the work completed to date.

Similar to our forest management planning processes, our public involvement plan also incorporates adaptive management and continual improvement. Appendix I outlines a detailed description of our proposed PIP which has been updated to incorporate some of the techniques included in the CSA Z764:96 "A Guide To Public Involvement" document.

6.3 Landbase Description

An updated description of the landbase will be submitted to Alberta as part of the development of the DFMP according to the standards outlined in the Planning Standard and the timelines outlined in Figure 3.

The most recent inventories and inventory depletions (i.e. harvest areas, landuse, fires, insects and disease etc.) will be incorporated into the landbase description, as well as a review of the landbase available for timber harvest. In addition to incorporating existing parks, wilderness, natural areas, and sensitive areas into the landbase description, the companies will also consider incorporating the results of additional analyses on representative and areas of High Conservation Value (HCV) into the landbase.

Any changes to the landbase which result in changes or modifications to operating practices or procedures will be addressed through the ground rule development process.

The timelines for the development of the landbase description are outlined in Figure 3.

6.4 Growth & Yield

On April 8, 2004, the companies received approval from Alberta on the integrated Growth & Yield Program.

The next DFMP will build on the 2003 DFMP Temporary Sample Plotsby incorporating additional sample plots established on the FMA area since program approval.

6.5 Forecasting and Timber Supply

Forest operators operating on FMU F26 are currently following the SHS generated through the TSA and subsequent PFMS outlined in the 2003 DFMP.

The upcoming submission of the DFMP will also include a new TSA for FMU F26 and selection of a new PFMS. Unless otherwise approved by Alberta, forest operators operating in F26 will continue to follow the current SHS until the 2008 sequence is approved.

6.6 Ground Rule Development

The ground rules, by definition, are the standards for operational planning and field practices to ensure consistency with objectives outlined in the forest management plan. Therefore, it is imperative that the ground rules are developed concurrently with the development of the management plan for F26 and that approval of the ground rules will parallel approval of the DFMP.

[5] The SFM Plan can be viewed at www.highlevelwoodlands.com. Although voluntary and different than the DFMP, the SFM Plan incorporated the goals, objectives, and strategic direction of the DFMP.

All forest operators operating on the FMA area are currently operating under the Upper Hay Regional Operating Ground Rules (UHROGR)[6]. These ground rules came into effect on October 29th, 2004 and were developed in accordance with Section 16 of the FMA. Since consistency with the DFMP is imperative in ensuring that management objectives are implemented during operational activities, the current version of the ground rules will require periodic review throughout the development of the DFMP to ensure alignment. Although a formal review of the UHROGR occurs annually, changes in ground rules to reflect new or modified objectives in the next DFMP will not occur until Alberta has approved the new DFMP.

In addition, it is the expectation of the companies that the scope for new ground rules be restricted to F26 due to the potential for contradicting management objectives and strategies with forest management plans developed for the F14 and F11 FMU's.

6.7 Monitoring Programs and Submissions

During the implementation of the 2003 DFMP and the SFM Plan to meet the CSA Z809:02 certification standard, the companies developed a number of monitoring programs to ensure that the public involvement and performance requirements are achieved.

As outlined in Section 9.3 of the 2003 DFMP and the UHROGR, the companies will be reporting progress in meeting objectives and targets through the following mechanisms:

- Final Harvest Plan/Annual Operating Plan
- Annual Reviews[7]
- Annual Performance Report
- 5-Year Stewardship Report

Given the timelines for submission of the updated DFMP, the companies first Stewardship Report will be submitted as part of the 2008 submission.

In addition to the reporting processes outlined above, Section 7.4.3.4 of the CSA Z809:02 standard also requires the companies to report progress in meeting the objectives and targets associated with the SFM Plan through an Annual Report.

7.0 Internal & External Communication

The development of a DFMP which ensures a balance in the social, economic, and ecological aspects of Sustainable Forest Management requires an effective communication plan, both internally and externally.

7.1 Internal Communication

Internal communication in terms of the development of the Detailed Forest Management PlanDFMP will consist of two primary processes: The Plan Development Team (PDT) and the Public Advisory Committee (PAC)[8].

[6] The scope of the UHROGR also includes operators in the F14 and F11 Forest Management Units. Note: F11 will soon have a new TSA and will have unique Ground Rules.
[7] Unless otherwise agreed to by the companies and Alberta, the Annual Reviews will be completed by the Plan Development Team with participation from other experts, government staff, or other interest groups where deemed appropriate.

As outlined in the new Planning Standard, the PDT consists of representatives from the companies, quota holders (DMI) and Alberta (See Table 2). The primary goal of this group is to review and reach agreement-in-principle on technical matters associated with the development of the plan. Communication mechanisms for the PDT will primarily be through meetings that will be scheduled as required and based on progress and potential issue identification or resolution.

In addition, the companies will continue to use the File Transfer Protocol (FTP) site that was developed during the review process for the 2003 submission for PDT members to review progress reports and submissions throughout the development of the plan.

Since the level of involvement by each of the small embedded operators outlined in Table 4 will vary throughout the development of the plan, it will be the responsibility of the Industry Representative to develop internal reporting process(s) to ensure information and updates are distributed and that opportunities for involvement exist. To enable this process, a separate and shorter Terms of Reference is in Appendix III that specifically outlines the involvement of the small embedded operators in the process and how information will be forwarded to them.

7.2 External Communication

In July 2004, the companies launched a new website (www.highlevelwoodlands.com) dedicated to soliciting public input and to provide information regarding our forest management planning, operations, and public involvement initiatives.

In addition to implementing the Public Involvement Plan to communicate with those individuals or groups which are external to the Plan Development Team, the companies will also make all reports (including updates) related to plan development, including this Terms of Reference, available to the public on the website. Individual requests for reports in other formats can also be made available to members of the general public upon request.

Upcoming open houses, community meetings, community presentations, as well as agendas and meeting minutes for scheduled Public Advisory Committee (PAC) meetings will also be posted on the www.highlevelwoodlands.com website for review.

[8] As outlined in the Public Advisory Committee (PAC) Terms of Reference (ToR) document, the PAC will be the equivalent of the Public Participation Group (PPG) as identified in the Alberta Forest Management Planning Standard (2006).

Table 2. The Plan Development Team (PDT) used to develop the 2008 submission of the DFMP.

Plan Development Team Members	Affiliation/Organization	Position	General Responsibilities
Jeremy Beal	Industry Representative	DFMP Coordinator	Plan Development
Adam Marshall	Silvacom Ltd.[9]	Consultant	Strategic Planning
Cyril Paquin	Silvacom Ltd.	Consultant	Strategic Planning
Chris Lang	Silvacom Ltd.	Consultant	Inventory/Strategic Planning
Tim Barker	Daishowa-Marubeni International Ltd.	Timber Supply Analyst	Strategic / Operational Planning
Stephen Wills	ASRD Forest Management Branch (Edmonton)	Forest Management Planning Forester	Provincial Team Lead
Ted Edwards	ASRD - Upper Hay Forest Area	Senior Forester	Area Team Lead

8.0 Roles, Responsibilities, and Obligations of Participants

8.1 Plan Development Team

The Plan Development Team (PDT) that has been assembled in Table 2 includes a multi-disciplinary team of technical and experienced professionals from the companies, DMI and Alberta to review technical matters regarding plan development. By assembling a multi-disciplinary team, the DFMP will be developed to incorporate the local-level forest Values, Objectives, Indicators, and Targets identified through the implementation of the Public Involvement Plan and additional requirements outlined in the new Planning Standard.

As outlined in Sections 10 (1),(2) of the Forest Management Agreement, the companies will provide the opportunity for third parties holding timber dispositions on the FMA (See Table 4 for listing) to participate in the development of the 2008 DFMP through active participation from time to time. To meet this commitment a Terms of Reference specifically for small quota holders is in Appendix III that identifies how these quota holders will be informed, details their roles and responsibilities, process for communications, conflict resolution, decision making, etc.

Daishowa-Marubeni International Ltd is part of the PDT as they have the largest Deciduous Timber Allocation (DTA) of incidental volume within F26 and PDT membership will allow then the opportunity to participate in the DFMP. Consideration of input from DMI to the planning process will be done by the companies as long as such input strengthens the plan, provides operational and strategic flexibility and allows the companies to meet commitments within their current CSA framework. As noted in Section 7.1 of this document, the PDT is to review and reach agreement-in-principle on technical matters associated with the development of the plan. Where agreement-in-principle cannot be achieved, sections 10 and 15 in this document provide direction.

Communications and updates will be provided to DMI after meetings at which they are not present, or throughout the planning process should they elect not to participate in the PDT.

[9] Silvacom Ltd. Is a forestry consultant based in Edmonton, Alberta. For more information, please visit their website at www.silvacom.com

As stakeholders within the FMA, each of the third-party disposition holders also has the opportunity to provide input into the management of the FMA through active participation in the Public Advisory Committee or through other mechanisms outlined in the companies PIP.

As part of the companies and Alberta's commitment to adaptive management and continual improvement, the PDT agree to meet annually after plan approval to ensure that the management objectives outlined in the plan continue to be suitable, adequate, and effective.

8.2 Public Advisory Committee

As outlined in Section 1.5 of the Planning Standard (2006) and consistent with the Terms of Reference (ToR) for the Public Advisory Committee (PAC) (See Appendix II), the primary roles of the PAC members are to:

- Contribute to the development of the Forest Management Plan (FMP) by identifying local-level Values, Objectives, Indicators, and Targets (VOIT);
- Develop procedures for monitoring the effectiveness of the public advisory process and the Detailed Forest Management Plan;

In addition, there may be instances throughout the development of the Detailed Forest Management Plan (DFMP) where a member(s) of the PAC may be invited to participate in the Plan Development Team (PDT) to discuss various topics or resolve issues.

9.0 Conflicts of Interest

The Planning Standard (2006), consistent with the Canadian Standards Association (CSA) Z809:02 standard, requires that the Terms of Reference (ToR) for developing the Detailed Forest Management Plan include provisions to address potential conflicts of interest.

In the event that an individual on the Plan Development Team (PDT) or an individual who has been invited by the PDT to participate at various periods during plan development anticipates a potential conflict of interest, the individual(s) is to indicate the conflict at the onset of plan development.

Consistent with the Public Advisory Committee (PAC) Terms of Reference (ToR) document, if a conflict of interest in fact exists, the PDT will then assess the claim and decide as to how to proceed.

10.0 Decision-Making Methods

Section 1.7.1 of the Planning Standard (2006) outlines that as plan components are developed and agreement is made by the Plan Development Team (PDT), the PDT shall recommend those components receive Agreement-in-Principle (AIP).

All participants, including those individuals and organizations participating in both the PDT and the Public Advisory Committee (PAC), will have an opportunity to provide input and express issues or concerns regarding the development of the management plan. Although decisions shall strive to achieve consensus, there will be instances where consensus will not be possible. In these instances, the Industry-

Representative and Planning Forester on the PDT will make the appropriate decision(s). In the event that the Industry-Representative and Planning Forester cannot reach agreement, the participants will follow the process outlined in Section 15.0.

Where consensus is achieved, a written record of the agreement will be included in the meeting minutes. The timelines for development and submission of the most critical components of the DFMP illustrated in Section 6.0 also includes the concept of the AIP. It is expected that once AIP have been granted for individual components that progressive components can then be initiated.

11.0 Authority for Decisions

The Authority for decisions in the development (incl. models and application tools), implementation, and monitoring of the DFMP has been outlined in the Planning Standard, and in addition, authority in FMA section 9 to 22, require us to follow planning standard as amended. Although the Senior Manager (Forest Management Planning Section) oversees the development of management plans in Alberta, the review and implementation process(es) for the various components will vary between departments. Table 3 outlines the specific approval authorities for various components of the DFMP.

Table 3. Approval authority for the development and implementation of the Detailed Forest Management Plan (DFMP).

Plan Component	Approval Type	Accountability
Terms of Reference (ToR)	Approval*	ASRD, Forest Management Planning Section
Public Involvement Plan (including the ToR for the Public Participation Group (PPG)	Approval*	ASRD, Forest Management Planning Section
Landscape Assessment	Agreement-in-Principle*	ASRD, Forest Management Planning Section
Values, Objectives, Indicators, & Targets	Agreement-in-Principle*	ASRD, Forest Management Planning Section
Monitoring Programs and Reporting	Agreement-in-Principle	ASRD, Forest Management Planning Section
Timber Supply Analysis		
Net Landbase Development	Agreement-in-Principle	ASRD, Resources Analysis Section
Yield Projections	Agreement-in-Principle	ASRD, Resources Analysis Section
Forecasting	Agreement-in-Principle	ASRD, Resources Analysis Section
Harvest Planning	Agreement-in-Principle	ASRD, Resources Analysis Section
Forest Health Strategies	Agreement-in-Principle	ASRD, Forest Health Section
Forest Protection Strategies	Agreement-in-Principle	ASRD, Forest Protection Division
Reforestation Strategies	Agreement-in-Principle	ASRD, Harvest and Renewal Section
Operating Ground Rules	Agreement-in-Principle*	ASRD, Harvest and Renewal Section
Selection of the Preferred Forest Management Strategy (PFMS)	Agreement-in-Principle*	ASRD, Forest Management Planning Section
Spatial Harvest Sequence	Agreement-in-Principle*	ASRD, Forest Management Planning Section
Detailed Forest Management Plan (DFMP) (Draft)	Agreement-in-Principle*	ASRD, Forest Management Planning Section
Detailed Forest Management Plan (DFMP) (Approval)	Approval	ASRD, Executive Director of Forest Management Branch
DFMP Implementation		
Final Harvest Plans (FHP's)	Approval	Area Manager, Upper Hay Forest Area
General Development Plan (GDP)	Approval	Area Manager, Upper Hay Forest Area
Compartment Assessments (CA's)	Approval	Area Manager, Upper Hay Forest Area[10]
Annual Operating Plan	Approval	Area Manager, Upper Hay Forest Area
Stewardship Report	Approval	ASRD, Forest Management Planning Section

* Requires input by third-parties holding timber dispositions on the FMA prior to receiving Agreement-in-Principle or Approval.

[10] Compartment Assessments (CA's) are completed in consultation with the Forest Management Planning Section of Alberta Sustainable Resource Development (ASRD).

12.0 Mechanisms to Adjust the Process

The companies, government, and stakeholders recognize that forest management planning is a dynamic process which continually needs to be reviewed to ensure that management objectives reflect changes in forest values, provincial and federal legislation, as well as changes on the landscape.

As part of the companies commitment to continual improvement, changes to the planning or public advisory processes may need to be modified during the development or implementation of the Detailed Forest Management Plan. To review progress and challenges in implementing the DFMP, the Plan Development Team has committed to meeting annually after approval to ensure that plan objectives that meet the needs of the FMA holder continue to be suitable, adequate, and effective.

Recommendations and Opportunities For Improvement (OFI) identified through independent third-party audits will also be discussed at the annual meeting.

Any changes will be documented and incorporated into the current or subsequent management plans.

13.0 Access to Information

During the review process for the 2003 Detailed Forest Management Plan, the companies, through Silvacom Ltd., established an file exchange site at www.silvacom which allowed information related to the submission of the plan to be posted online for review by various government agencies and departments.

For the upcoming submission of the DFMP, the file exchange site will once again be used as an important tool to ensure access to information to various participants. However, unlike the 2003 DFMP, access to technical updates, reports, and other submissions, will be provided to all members of the PDT, including a representative(s) from the Public Advisory Committee (PAC), throughout the development of the document.

To ensure that all necessary PDT members have access to the site, the companies and Alberta will identify PDT members prior to the ratification of this Terms of Reference document to ensure that access to the site to all participants can be established prior to the commencement of plan development.

Regular updates will also be provided to the Public Advisory Committee (PAC) at scheduled meetings and the general public through the www.highlevelwoodlands.com website.

14.0 Participants of Experts, Other Interests, and Government

In addition to those individuals identified in Table 2, there may be instances throughout the development of the DFMP where participation by other experts, interest groups, or government may be required. These experts may be invited to participate by the Plan Development Team or the Public Advisory Committee to discuss topics relevant to the identification of local-level Values, Objectives, Indicators, and Targets. Table 4 identifies additional (but not limited to) individuals or stakeholders which may be requested to participate in the Plan Development Team (PDT) from time to time throughout the development of the 2008 DFMP.

Table 4. Additional experts, government, or interest groups that may be invited to participate in the PDT.

Plan Development Team Members	Affiliation/Organization	Position	General Responsibilities
Marcel LeCoure	Tolko Industries Ltd.	Woodlands Manager	Strategic Planning
Chris Smith	Footner Forest Products Ltd.	Woodlands Manager	Strategic Planning
Jayson Kofluk	Footner Forest Products Ltd.	Operations Superintendent	Operational Planning
Randy Lynch	Tolko Industries Ltd.	West Area Superintendent	Operational Planning
Gray Jordan	Footner Forest Products Ltd.	Sustainable Management Forester	Strategic/Operational Planning
Brad Asmussen	Footner Forest Products Ltd.	Strategic Planning Forester	Strategic/Operational Planning
Tom Friesen	Precision Lumber Products Inc.*	Owner	Strategic/Operational Planning
George UnRau	Ridgeview Mills Ltd.*	Owner	Strategic/Operational Planning
Danny Paul	Netaskinan Development Corporation Ltd. *	Foreman	Strategic/Operational Planning
Wayne Thorp	Che K'Li Enterprises Ltd.*	Representative	Strategic/Operational Planning
Robert Stokes	ASRD Forest Management Branch (Edmonton)	Manager - Forest Planning Section	Strategic Planning
Gail Tucker	ASRD - Upper Hay Forest Area	Manager	Strategic Planning
Jamie Yee	ASRD - Upper Hay Forest Area	Manager	Strategic Planning
Dennis Driscol	ASRD - Consultation & Aboriginal Relations	Assistant Director	Consultation and Aboriginal Relations
Derrick Downey	ASRD - Upper Hay Forest Area	Wildfire Prevention Officer	Forest Protection Representative
Ted Newbery	ASRD – Forest Management Branch	Forest Planning Section	FireSmart Integration
Hediji Ono	ASRD - Forest Health	Manager - Forest Health Section	Strategic Planning
Ray Gibons	ASRD (Peace River)	Protected Areas	Protected Areas Contact
Darren Aitken	ASRD Forest Management Branch (Edmonton)	Forest Planning Section	Growth & Yield
Dave Moyles	ASRD - Fish & Wildlife	Biologist	Fish & Wildlife Representative
Mark Townsend	ASRD-Biometrics	Forester	Timber Supply Analysis
Mike Maximchuk	ASRD-Forest Health	Officer	Strategic Planning
Jamie Bruha	ASRD-Harvesting & Renewal Section (Edmonton)	Senior Forester Timber Operations	Ground Rules Lead

- *Third-Party disposition holders within FMA0200040.

15.0 Dispute Resolution Mechanism

Although the companies and Alberta will strive to reach consensus during the decision-making process, it is recognized that issues may arise through the implementation of the Public Involvement Plan (PIP), the Public Advisory Committee or Plan Development Team where consensus may not be achieved[11]. It is for this reason that this Terms of Reference document includes a defined process that is both effective and timely.

Since the implementation of the Environmental Management Systems (EMS) the companies, issues related to our management activities, which are identified by interested parties, have been documented with follow-up and corrective action plans implemented where appropriate. Although most issues are resolved operationally and incorporated into individual Final Harvest Plans (FHP's), there may be issues that will be identified during the implementation of the Public Involvement Plan, including the unresolved issues from the 2003 submission of the DFMP, which will require resolution by the Plan Development Team.

Given the representation of stakeholders and interest groups in both the PAC and PDT, it is expected that resolution will be achieved for most issues that will be identified.

As detailed in the ToR for the PAC, in the event a consensus recommendation of the PAC is not acceptable to the Companies, a written explanation of the decision will be provided and included in the FMP as such.

Likewise at the PDT level, there is a process for dispute resolution. If a recommendation from a quota holder(s) is not acceptable (i.e.,unreasonable) to the Companies, and resolution cannot be achieved through meaningful, reasonable and timely discussion, a written explanation from the companies will be provided to the quota holder and SRD that details the issue, basis of dispute, and action plan to be followed. Following this Alberta may assist in the dispute resolution by facilitating discussions between the companies and quota holder(s) or providing advice.

It is not the desire of the companies for dispute resolution to be decided by Alberta through arbitration, however the companies recognize situations may occur that require such a decision by the Crown. Therefore, arbitration will only occur after Tolko Industries Ltd. (HLLD), and Footner Forest Products Ltd., agree that arbitration is necessary and the outcome does not affect Tenure, or unreasonably affect costs in delivering Sustainable Forest Management on FMU F26.

[11] The Terms of Reference (ToR) document for the Public Advisory Committee (PAC) outlines specific details regarding the decision-making process and dispute-resolution process.

16.0 Submission Requirements

Tolko Industries Ltd. and Footner Forest Products Ltd. will submit the Detailed Forest Management Plan (DFMP) consistent with the standards outlined in the April 2006 version of the Alberta Forest Management Planning Standard. The Planning Standard requires the following:

- Five (5) paper copies of the DFMP and monitoring reports
- One (1) single digital copy of technical files[12]
- Five (5) digital copies (password protected and password supplied (.pdf format)
- A Registered Forest Practitioner (RFP) validated checklist describing the extent of compliance with applicable standards included with each submission.

Validation by an RFP in the form of an approved checklist assures to Alberta that that work is accurate and has been prepared with due diligence. During the development and implementation of the various components of the DFMP (See Table 4), these checklists will be developed in a format that is acceptable to Alberta.

Since the DFMP, Annual Reports, and Stewardship Report are public documents, the companies will make these documents available to the public through the www.highlevelwoodlands.com website or in other formats upon request.

It is also the expectation of the companies that Alberta shall also make these documents available both to department staff and to the public by posting them on the departmental website.

[12] Since details related to data formatting and storage are imperative in ensuring prompt reviews and approvals, the Plan Development Team (PDT) will ensure that submissions meet Alberta's expectations.

Appendix I - Public Involvement Plan

Tolko Industries Ltd. (High Level Lumber Division) and Footner Forest Products Ltd. (FFP) (hereby referred to as "the companies") are committed to Sustainable Forest Management (SFM) which is reflected in our SFM Policy and our joint Vision/Mission[13] statement for managing the FMA area.

In an effort to balance the economic, ecological, and social aspects of sustainable forest management, significant input from stakeholders, First Nations, and members of the general public is required during the planning process(es) to ensure that forest management plans at every level are environmentally and socially acceptable.

In soliciting input from the public, the Companies developed a Public Involvement Plan (PIP) in 2000 during the development of the first Detailed Forest Management Plan (DFMP) for the FMA area which was approved by Alberta in March 2004. This PIP was enhanced in 2003 used for the development of the DFMP was enhanced in 2003 as part of the companies joint certification initiative to the Canadian Standards Association (CSA) Z809:02 certification standard.

Once approved by the local Public Advisory Committee (PAC), this document will be submitted to Alberta Sustainable Resource Development (ASRD) for approval and will become the framework for soliciting public input into the development of our forest management plans.

1.0 Goals

The goals of the Companies is to develop and implement a diverse and adaptive public involvement plan that meets the needs of the companies, stakeholders, public, the Canadian Standards Association (CSA), and Alberta.

2.0 Objectives

The primary objectives for implementing an effective public involvement plan which encourages direct involvement from stakeholders and the general public in the development and implementation (including monitoring) of each forestry plan (i.e.,DFMP, Annual Operating Plan, General Development Plan, Final Harvest Plan) required for managing the Forest Management Agreement (FMA) area.

3.0 Public Involvement Process

Since participants in any public involvement processes have a wide range of knowledge, interests, and abilities to participate, an effective pubic involvement process needs to accommodate these differences.

In designing and implementing our public involvement process, a process which has been built on an existing process, the Companies have utilized the Canadian Standards Association Z764-96 "A Guide to Public Involvement" document to ensure that the process used is both diverse and effective.

Like our forest management plans, our public involvement process is adaptive in nature and will likely be refined over time as technology or the needs of interested parties change.

[13] The Companies joint Vision and Mission statements for managing the DFA can be viewed at www.highlevelwoodlands.com.

3.1 Public Participation Group (PPG)

The April 2006 version of the Alberta Forest Management Planning Standard document outlines the requirement for the formation of a Public Participation Group (PPG) with representation from interested parties.

Direct involvement by interested parties in the development of the companies Forest Management Plans (FMP's) have been a primary component of the planning process in High Level since 1997 with the formation of a Public Advisory Committee (PAC). This level of involvement was enhanced in 2003 through the establishment of a Public Advisory Group (PAG) which was established to help identify local-level values, objectives, indicators, and targets (VOIT's) for incorporation into the Sustainable Forest Management (SFM) Plan required to meet the Canadian Standards Association standard for forest certification.

As part of the companies commitment to continual improvement and to address opportunities for improvement identified by independent third-party auditors, the companies with input from both the PAC and PAG agreed to merge the groups into a single Public Advisory Committee (PAC).

A Terms of Reference (ToR) document outlining the basic operating rules for the public involvement process was introduced to the PAC on April 5th 2005 and was ratified by the group on June 7th 2005 with subsequent amendments . A copy of the ToR document can be found in Appendix II and is also made available on the www.highlevelwoodlands.com website.

3.2 Stakeholders

In addition to those stakeholders participating in the PAC the companies recognize that involvement from other stakeholders affected by our activities on the defined forest area is imperative in the development of forest management plans which balance the economic, ecological, and social aspects of sustainable forest management.

Within the boundaries of the DFA, there are a number of stakeholders from which the companies solicit input during the development and implementation of our forest management plans. Some of these groups include the following:

3.2.1 Trappers

The companies recognize trapping and trappers are an established industry with direct interest in the planning and operations of our companies. Registered trapline holders are contacted during Final Harvest Plan development to identify any concerns with proposed development or activity. In addition, woodlands staff strive to meet directly with trappers prior to the commencement of operations to ensure that any concerns that have been identified are incorporated into the FHP.

3.2.2 Other Tenure Holders

As outlined in Forest Management Agreement there are a number of additional tenure holders operating within the boundaries of the FMA area including Daishowa-Marubeni International Ltd., Netaskinan Development Corporation Ltd., Che K'Li Enterprises Ltd., Precision Lumber Products Inc., and Ridgeview Mills Ltd. LaCrete Sawmill s Ltd. is also an embedded operator through various business agreements with the companies.

Communication and involvement by the embedded operators in both the development of long-term and operational plans is required to ensure that all planning, harvesting, and reforestation activities align with the management objectives of the defined forest area.

Some of the embedded operators may also be involved in the Plan Development Team, a group which reviews technical matters associated with plan development. All embedded operators can join and participate in the PAC.

3.2.3 Aboriginal Groups

The companies are committed to Aboriginal involvement in the development of our forest management plans, which is reflected in our Sustainable Forest Management Policy[14]. The companies recognize that the defined forest area, as claimed by the region's Aboriginal people, has been traditionally used for hunting, trapping and fishing as well as for recreational and spiritual purposes. This dependence on the forest for both economic and traditional purposes increases the need for Aboriginal involvement in the development of our forest management plans. The companies recognize Aboriginal and Treaty Rights of local First Nations, and these rights will not be prejudiced by taking part in the companies public involvement program or being involved in the Public Advisory Committee.

The companies intend to develop our forest management plans with the objective of avoiding and/or mitigating any adverse impacts to First Nations rights and traditional uses as a result of our activities through the implementation of a variety of community-based public involvement opportunities (i.e. newsletters, community functions, meetings, etc.). All responses and concerns will be documented and considered in the development of all forest management plans.

Specific First Nation's groups that may have an interest in forest management activities occurring on the DFA include the Little Red River Cree Nation, Tall Cree First Nation, Dene Tha First Nation, Beaver First Nation, Paddle Prairie Metis Settlement, Lubicon Lake Indian Nation, and Metis Nation of Alberta.

3.2.4 Oil and Gas

The oil and gas industry contributes a very large proportion of the industrial community within the defined forest area and involvement from these stakeholders is an important part of the public advisory process. In addition to communicating through the various mechanisms previously outlined in this document, copies of the General Development Plan (GDP) are annually distributed to companies operating in the region to promote opportunities for integration.

3.2.5 Local Government

Local and municipal government agencies are contacted annually and periodically throughout the year to discuss our operations and to identify and incorporate concerns into plan development. Representatives from Alberta Sustainable Resource Development (ASRD) also participate in the Plan Development Team , a group which reviews technical matters regarding plan development, and act as advisors to the general public.

[14] The SFM Policy encompasses statements made in the respective Environmental Policies and Forest Management Principles of both Tolko Industries Ltd. and Footner Forest Products Ltd. which can be viewed at www.highlevelwoodlands.com

3.2.6 Special Interest Groups

Special interest groups are identified during the development or implementation of long-term or operational plans. Concerns that are identified by these groups are identified and incorporated into plan

development where possible, and our public involvement plan is updated to ensure that new interest groups are included in future advisory initiatives.

3.3 General Public

3.3.1 Open Houses

Open Houses will provide a forum for the companies to present information related to the development of the DFMP, Annual Operating Plan, as well area-specific Final Harvest Plans in communities within and adjacent to the FMA. Annual Performance Reports and/or Stewardship Reports outlining our performance in meeting our DFMP commitments and legal obligations may also be on display for public review.

Open Houses, which may also include attendance at regional Trade Fairs and community events, will also provide an opportunity for members of the general public to discuss the various aspects of our operations with our woodlands staff.

3.3.2 Newsletters

During the development of the companies first Detailed Forest Management Plan, a series of newsletters were distributed to solicit input on the development of the plan as well as provide updates on plan progress. Due to the success of these information sources, newsletter distribution will continue for future management plans. Content will be successive and reflect the status of plan development to date.

Distribution will include a number of stakeholders and interest groups throughout the region including the Public Advisory Committee (PAC), First Nations, government, and the general public and will include some of the information below:

- Company Overview (i.e. philosophies, history, etc.);
- Information specific to the FMA;
- Development and approval status of the DFMP or portions thereof;
- Values, Objectives, Indicators, and Targets
- Current and upcoming issues or other initiatives

3.3.3 Invitational Brochures & Advertisements

The companies will continue to utilize the local media to advertise or inform local stakeholders or members of the general public regarding upcoming public involvement initiatives or operational activities. Some of these advertisements have included the local newspapers[15], town billboard, handouts, newsletters, and other postings.

More recently, the companies have also initiated additional radio and newspaper ads to provide information regarding public input, forest health, natural disturbance, forest certification, and overall sustainability in an effort to increase awareness and generate interest in forest management.

[15] The local newspapers include "The Echo" and "The Pioneer" which are distributed throughout the Upper Hay forest region.

3.3.4 Website

To enhance the level of public involvement while providing a source of information distribution, the companies launched a new website in July 2004. The website, www.highlevelwoodlands.com, includes

meeting minutes from the Public Advisory Committee as well as information regarding upcoming public involvement initiatives including meetings, open houses, or community presentations.

The website also allows members of the general public to provide DFA-specific information which can be incorporated into future plan development as well as provide input (info@highlevelwoodlands.com) regarding our forest management or operational activities.

The website also allows members of the general public to review digital copies of the Detailed Forest Management Plan, Annual Operating Plan, General Development Plan (GDP), and approved Final Harvest Plan(s) for the Defined Forest Area. In addition, all Annual Reports and Stewardship Reports associated with the Companies operations and overall woodlands performance are also posted on the website for public review.

As progress is made in the development of the Detailed Forest Management Plan, updates will also be posted and followed-up with key stakeholders and members of the general public to provide an opportunity for input.

4.0 Issue Identification and Resolution

All external communications generated through the implementation of the Public Involvement Plan will be documented as part of our integrated CSA module to ensure that issues or concerns are documented and that a process for resolution is completed. Documented issues, suggestions, or concerns will be brought forth to the Public Advisory Committee to assess its applicability in the forest management planning process(es) and potential incorporation into the list of local-level Values, Objectives, Indicators, and Targets . Where applicable, issues or concerns may also be discussed with the Plan Development Team for strategic direction.

A summary of input and issues or concerns during the implementation of the Public Involvement Plan (PIP) will be reported annually in the Annual Performance Report portion of the Annual Operating Plan (AOP).

5.0 Monitoring and Adaptive Management

As part of our commitment to continual improvement and adaptive management, this document will be reviewed annually by the Public Advisory Committee and the Plan Development Team to ensure that the public involvement process remains effective.

Any changes to the Public Involvement Plan will be submitted to Alberta Sustainable Resource Development.

Appendix II - Public Advisory Committee (PAC) Terms of Reference

Background

The High Level Public Advisory Committee (PAC) was initially formed in 1997 and remains the primary venue for members of the general public to provide input into forest management planing and operations conducted by Tolko Industries Ltd. (High Level Lumber Division) and Footner Forest Products Ltd. (FFP) (hereby referred to as "the Companies") within the Defined Forest Area (DFA).

Following the approval of the Companies' first Detailed Forest Management Plan (DFMP) and ratification of the Sustainable Forest Management (SFM) Plan to meet the Canadian Standards Association (CSA) Z809:2002 standard for forest certification, recommendations made by independent third-part auditors to enhance the existing public advisory process(s) prompted changes to the goals and objectives of the PAC to align with those of the Public Advisory Group (PAG), a committee established during the development of the SFM Plan. In addition to helping identify local-level Values, Objectives, Indicators, and Targets (VOIT) for managing the DFA, the PAG was also involved in the development of monitoring programs to evaluate the effectiveness of Forest Management Plans (FMP's) for the DFA with the goal of continual improvement.

With the changes to the Terms of Reference, the level of involvement of the PAC in the development of future FMP's has been enhanced.

The Public Advisory Committee (PAC) will serve as the Public Participation Group (PPG) as referenced in the 2004 edition of the Alberta Forest Management Planning Standard.

Introduction

This Terms of Reference (ToR) document is a revision to the original document developed for the Public Advisory Committee (PAC) to align with the public advisory requirements as outlined in 5.3.1 of the CSA Z809:2002 standard and changes in provincial requirements for FMP development. This document will outline the procedures for each of the following components:

- Goals
- Operating Guidelines
- Timelines
- Roles & Responsibilities
- Decision-Making Process
- Conflicts of Interest
- Information & Communication
- Resources
- Mechanisms to Adjust

Goals

The two primary goals of the Public Advisory Committee (PAC) are to:

1. Identify issues and concerns pertaining to companies' operating activities;

2. Identify local-level Values, Objectives, Indicators, and Targets (VOIT) for incorporation into the Companies' FMP and help develop procedures for monitoring the effectiveness of both the public advisory process and FMP to ensure continual improvement.

Operating Guidelines

The Companies' will strive to incorporate recommendations of the Public Advisory Committee (PAC) into FMP development. These recommendations will represent the needs of a variety of industrial and non-industrial interest groups including (but not limited to):

➢ Lubicon Lake Indian Nation	➢ Hungry Bend Sandhills Wilderness Society
➢ Boreal Naturalists Club	➢ Alberta Trappers Association
➢ Friesen Logging	➢ La Crete Sawmills Ltd.
➢ Mackenzie Economic Development	➢ Fish and Game Association
➢ M.D. of Mackenzie #23	➢ District Agriculture Office
➢ Alberta	➢ Town of High Level

In developing and monitoring the effectiveness of the FMP, committee members shall:

1. Consider and respect the opinions and views of other members of the PAC;
2. Participate as a member of the PAC and adhere to their specific roles, responsibilities, and obligations;
3. Act and negotiate in "good faith" in all aspects of the process;
4. Select issues that are within the companies' ability to control or influence and will respect existing laws and regulations;
5. Support an open and transparent process in both the development and implementation of the public advisory process or FMP;
6. Comply with this Terms of Reference document.

Timelines

The target date for the completion of the Forest Management Plan (FMP) will be October 31, 2008. Following the completion of the plan, the Public Advisory Committee (PAC) will be engaged to review annual progress on performance measures with the goal of continual improvement.

Roles, Responsibilities, and Obligations of Participants

Participation in the Public Advisory Committee (PAC) is open to all members of the general public and will include First Nations and government. The companies recognize Aboriginal and Treaty Rights of local First Nations, and these rights will not be prejudiced by taking part in the companies public involvement program or being involved in the Public Advisory Committee.

There will be two types of committee members:

1. Advisory Members – will participate in all discussions, and will serve as information sources to the committee, but will not be included when seeking consensus or taking votes. There will be no more then two representatives from each of the Companies or Alberta, which will also serve as advisory members.

2. Participating Members – will participate in all discussions, and will be included when seeking consensus or taking votes.

i. Committee Member Responsibility

1. Committee members will read and understand this Terms of Reference;

2. Committee members will contribute to the development of the Forest Management Plan (FMP) by identifying local-level Values, Objectives, Indicators, and Targets (VOIT);

3. Committee members must also develop procedures for monitoring the effectiveness of the public advisory process and FMP's;

4. Committee members shall adhere to the discussion items outlined in the meeting agenda. Additional discussion items not included in the agenda shall be tabled to a future meeting(s);

5. Committee members will keep their organization informed of developments in meetings, gather opinions for subsequent meetings, and designate an alternative representative in the event that they are unable to make it to a meeting;

6. The committee will develop and implement action plans to address selected issues;

7. Committee members will take responsibility for self-education by participating in board activities aimed at providing a solid base of knowledge, and by keeping themselves informed of forest-related activities. This will include taking advantage of opportunities to put the knowledge in context in the field, rather than being limited to reading of materials;

8. The committee is responsible to determine the knowledge base of its members, and with help from the Companies' seek information and education in areas that require further understanding;

9. The Companies' will provide funding and reasonable access to company data, resources, and access to information from outside the committee (ex. experts in particular subject area(s)).

10. Utilize government representatives on the committee to access government technical information.

ii Committee Executive Members

1. The PAC will select from its members an executive consisting of Chair and Vice-Chair. Each position will have a term of one year, and elections will take place at the Annual General Meeting;

Decision-Making Process for the VOIT

1. All participants in the development or implementation of the FMP will strive to make decisions based on consensus[16]. If consensus cannot be reached, there are three alternative courses of action:

   a) The issue may be deferred in instances where more information is required to properly form decisions and will be tabled to the next meeting;
   b) Seek recommendation from independent sources;
   c) Members can vote to place closure to the issue. In instances where a vote is taken, a motion will require a minimum 75% of those in attendance at the meeting in order to be considered carried. Quorum is set at 8 committee members.

   If a consensus recommendation of the PAC is not acceptable to the Companies', a written explanation of the decision will be provided and included in the FMP as such.

2. Written records regarding agreement or lack thereof will be retained in the meeting minutes. Ratification of the meeting minutes will indicate agreement to the issue or decision(s) made as to how the outstanding issue will be addressed.

3. All issues, including those of which there is no resolution, will be identified and recorded as such and outlined in the FMP.

4. All decisions made by Committee members at Committee meetings will be recorded in the minutes as being ratified by the PAC.

Conflicts of Interest

Should the situation arise, Public Advisory Committee (PAC) members, including the Chair, will declare any possible or perceived conflict of interest pertaining to a specific discussion or topic. In such a case(s), the PAC member should withdraw from discussion on that particular item unless otherwise agreed to by the remaining committee members.

In instances where the Chair has declared or is perceived to be in a conflict of interest, members will appoint a temporary Chair for that meeting.

Information and Communication

1. Any documentation generated through the process will be provided to each of the participants of the Public Advisory Committee (PAC) through the support staff of member organization(s). This information may include (but is not limited to) meeting schedules, agendas, and meeting minutes;

2. The Companies' will make available to committee members, copies of FMP's, Annual Performance Reports, and the results of internal and/or external audits or public advisory initiatives;

[16] Consensus is defined as a substantial agreement reached by concerned interests. Consensus includes an attempt to remove all objections and implies that although participants may not agree with all aspects of the agreement, they are willing to accept the total package.

3. Not withstanding individual members' responsibility for passing on information to their constituent groups, the Communication Committee (or individual delegate(s)) will be responsible for communicating to the general public. This may include the distribution of reference and meeting related materials (i.e. meeting minutes, schedules, agendas, etc.).

4. The Communication Committee (or individual delegate) will be the point of contact for the media, and indicate those items to be presented to the media.

5. Meeting agendas and advertisements will be made available to committee members in the preferred format, posted on the www.highlevelwoodlands.com website, and faxed to visible locations in each of the communities in the region at least one week prior to the scheduled meeting. Meeting advertisements shall also be posted in both *The Echo* and *The Pioneer* at least one week prior to the scheduled meeting.

6. Meeting minutes will also be distributed to committee members in the preferred format, posted on the www.highlevelwoodlands.com website no more than 1 week following a scheduled meeting and will be made available to the general public at upon request. In addition, summaries for previous meeting shall also be posted in *The Echo* and *The Pioneer* within two weeks of the meeting.

7. Digital (or otherwise) copies of Forest Management Plans (FMP's), Annual Performance Reports, and the results of internal or external third-party results will be made available to the public upon request.

8. An Annual General Meeting will take place once per year. Like the regularly scheduled meetings, the AGM will be open to the general public.

9. At this meeting a report and/or presentation will be provided which illustrates issues identified throughout the year and outline progress made in addressing those concerns. Annual elections will also take place at this meeting. This meeting may be held in different locations each year.

10. All items discussed will be treated as public information, unless otherwise requested by the companies, or by any other committee member providing information.

Resources

The companies will establish an annual budget and will cover expenses for such things as meals, mileage, and accommodation (with receipts) where required. Mileage will be paid at $0.40 per kilometer for regular attendance at meetings however it is up to the individual member to notify the company representative at the completion of a meeting(s) that a mileage claim is requested.

In the event that a guest speaker or local expert(s) are invited and attends a PAC meeting, expenses for meals, transportation, and accommodations, will be borne by the companies.

Mechanisms To Adjust

The Terms of Reference (ToR) document may be modified at any time during the process in accordance with the procedures outlined in the Decision-Making Process.

Appendix III – Small Embedded Operator Terms of Reference

As outlined in Section 10 (1)(c) of the Forest Management Agreement (O.C. 281/2002), the companies shall provide the opportunity for third parties holding timber dispositions on the forest management area to participate in the formulation of the Detailed Forest Management Plan (DFMP) for Forest Management Unit (FMU) F26. Although the development of the DFMP remains the primary responsibility of the Plan Development Team (PDT), there is recognition from both the companies and Alberta that involvement from the other timber disposition holders is required to ensure that the management plan meets the needs of all disposition holders within the FMU.

This Terms of Reference (ToR) document has been developed to outline the process for involvement by those disposition holders not included in the PDT which include the following disposition holders:

Precision Lumber Products Inc.	DTAF260001
Netaskinan Development Corp. Ltd.	DTAF260003/DTAF260004
Che K'Li Enterprises Ltd.	DTAF260005
Ridgeview Mills Ltd.	DTAF260002

Goals

The primary goals of this Terms of Reference (ToR) are to:

- Recognize the need for those timber disposition holders not directly participating in the Plan Development Team (PDT) to actively participate in the development of the 2008 Detailed Forest Management Plan.
- Demonstrate a clear process for involvement by the third-party timber disposition holders in the development of the DFMP while meeting the requirements outlined in the Alberta Forest Management Planning Standard (2006), Canadian Standards Association (CSA) Z809:02 forest certification standard, and the individual Deciduous Timber Allocations (DTA's).

Timelines

The 2008 Detailed Forest Management Plan (DFMP) for FMU F26 will be submitted to Alberta on October 31, 2008. Section 6.0 of the DFMP Terms of Reference (ToR) document illustrates the schedule for the development, approval, and monitoring process for the critical components of the 2008 submission.

Roles & Responsibilities

Industry Representative

The Industry Representative identified in Table 2 of the Terms of Reference (ToR) document will have the responsibility of coordinating meetings (individually and/or as a group) with representative(s) of the third-party timber disposition holders throughout the development of the management plan.

Although ad-hoc meetings will be held periodically to update the disposition holders regarding development, submission, and/or approval status of the plan, formal meetings to solicit input into those components identified in Table 3 of the ToR document shall be arranged with the third-party disposition holders prior to the Plan Development Team (PDT) requesting Agreement-in-Principle or Approval from Alberta.

All input will be documented and considered during Plan Development Team (PDT) meetings and incorporated where deemed appropriate.

Timber Disposition Holders

As the holders of Deciduous Timber Allocations (DTA's) within Forest Management Unit (FMU) F26 and consistent with Section 13 of the individual DTA's, each of the third-party timber disposition holders not participating in the PDT shall participate in the development of the 2008 Detailed Forest Management Plan (DFMP).

Each disposition holder is required to identify an individual(s) who will represent their organization in the development of the plan and attend scheduled meetings whenever required. In the event that attendance at scheduled meetings is not possible, alternative arrangements to provide input and/or feedback shall be made with the Industry Representative to ensure progress in plan development is not impeded.

Each of the third-party disposition holders also has the opportunity to provide input into the development of the forest management plan through active participation in the Public Advisory Committee (PAC) or through other mechanisms outlined in the Public Involvement Plan (PIP).

It is expected that each of the main components identified in Table 3 (note asterix in table) be endorsed by each of the disposition holders prior to being submitted to Alberta for Agreement-in-Principle or Approval.

Sustainable Resource Development

The Senior Forester for the Upper Hay area identified in Table 2 of the Terms of Reference (ToR) document shall be in attendance for all meetings between the Industry Representative and third-party timber disposition holders regarding the development of the Detailed Forest Management Plan (DFMP).

Although the Industry Representative will be responsible for presenting updates on the development of the plan, the primary responsibility of the Senior Planning Forester will be to represent the province in plan development and provide direction and clarity to the disposition holders where required. Whenever possible, the Forest Management Planning Forester (Edmonton) may also serve in this role.

Internal and External Communication

Internal Communication

Communication between the Industry Representative and the third-party timber disposition holders will primarily be completed through meetings which will be scheduled periodically as required throughout the development of the Detailed Forest Management Plan (DFMP) based on progress and potential issue identification or resolution. Meeting schedules, agendas, notifications, and minutes will be provided to the disposition holders by the Industry Representative.

In addition, each of the third-party disposition holders not participating in the Plan Development Team (PDT) will have access to the same File Transfer Protocol (FTP) site as the Plan Development Team (PDT). Documents, progress reports, and submissions will be posted on the site throughout the development of the DFMP.

External Communication

Input received or issues and concerns identified by the third party timber disposition holders during the development of the Detailed Forest Management Plan (DFMP) (in meetings, letters, emails, etc.) will be documented and discussed during Plan Development Team (PDT) meetings.

All other external communication mechanisms to be utilized throughout the development of the DFMP can be viewed in Section 7.0 of the Terms of Reference (ToR) document.

Decision-Making Process

Although all input received from those third party timber disposition holders not participating in the Plan Development Team (PDT) will be documented and considered for incorporation into the management plan, the PDT is responsible for decision-making as it relates to the development of the Detailed Forest Management Plan (DFMP).

In addition, any change in the process related to the involvement by the third-party timber disposition holders in the development of the DFMP (communications, meetings, information sharing, etc.) will require approval from the PDT, specifically the Industry-Representative and Planning Forester. In the event that the Industry-Representative and Planning Forester cannot reach agreement in a proposed change in process, the dispute resolution mechanism outlined in Section 15.0 will be followed.

The Decision-Making process can be viewed in greater detail in Section 10 of the Terms of Reference (ToR) document.

Authority for Decisions

The Plan Development Team (PDT) retains the authority for decision-making related to the development, implementation, and proposed monitoring strategies related to the 2008 Detailed Forest Management Plan (DFMP).

However, the PDT does not retain final authority in terms of Agreement-in-Principle or Approval of the various components and/or submissions related to the management plan. Table 3 of the Terms of Reference (ToR) document outlines the specific approval authorities for various components of the DFMP.

Dispute Resolution Mechanism

Section 15.0 of the 2008 Detailed Forest Management Plan (DFMP) Terms of Reference (ToR) document outlines the specifics regarding the dispute-resolution process.

Conflicts of Interest

In the event that an individual(s) or third-party timber disposition holder anticipates a potential conflict of interest, the individual(s) or organization is to communicate the potential conflict to the Industry Representative and Sustainable Resource Development representative(s).

If a conflict of interest in fact exists, the Industry Representative and Sustainable Resource Development representative(s) will then assess the claim and determine as to how to proceed.

Access to Information

Any documentation required to enhance the involvement process by the third-party timber disposition holders throughout the development of the Detailed Forest Management Plan (DFMP) will be provided to each of the individual(s) by the Industry Representative. This may include (but is not limited to) the following:

- Alberta Forest Management Planning Standard (2006)
- Canadian Standards Association (CSA) Z809:02 Forest Certification Standard

As outlined in *Internal Communication*, each of the third-party timber disposition holders will also have access to a File Transfer Protocol (FTP) site which will provide access to all relevant documents, progress reports, and submissions throughout the development of the DFMP.

Resources

Since participation in the development of management plans are the responsibility of each of the third-party timber disposition holders, any costs incurred as a result of active participation (i.e. travel, time, expenses, etc.) in plan development will be the responsibility of the individual(s) and/or organization. However, costs associated with meetings (rentals, meals, etc.) and with developing effective and efficient communication mechanisms will be the responsibility of the Industry Representative unless otherwise agreed to by the parties.

Participants of Experts, Other Interests, and Government

Where required, the participation of other experts, government agencies, and/or other interest groups may be required from time to time throughout plan development (See Section 14.0 of the Terms of Reference (ToR) document for more details) to assist in ensuring effective and efficient involvement by the third-party timber disposition holders. When required, the Industry Representative will coordinate the attendance and/or follow-up with the relevant expert(s), government agency(s), and/or other interest group(s).

Where costs are incurred to acquire relevant expert(s), government agency(s), and/or other interest group(s), those costs will be equally borne by the Industry Representative and the organization(s) requesting the participation of the relevant expert(s), government agency(s), and/or other interest group(s).

Mechanisms to Adjust

This process may be modified at any time during the development of the 2008 Detailed Forest Management Plan (DFMP) in accordance with the process outlined in the *Decision-Making Process* section of this document.

Endorsement

Signed under separate cover
March 19, 2007

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Tom Friesen, Owner
Precision Lumber Products Inc.

Signed under separate cover
February 13, 2007

_____
Danny Paul, Foreman
Netaskinan Development Corporation Ltd.

Signed under separate cover
March 12, 2007

_____
George UnRau, Owner
Ridgeview Mills Ltd.

Signed under separate cover
March 20, 2007

_____
Glenn Greening, Forester
Che K'Li Enterprises Ltd.