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Original sponsors: Taylor, Ringstad,
Jenkins and Frank

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 570 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state forest management."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 38.05 is amended by adding a new section to article 4
9 to read:

10 Sec. 38.05.122. FOREST MANAGEMENT AGREEMENT. (a) Notwithstand-
11 ing AS 38.05.110 - 38.05.120, the commissioner may enter into an
12 agreement with a person for the management on a sustained-yield basis
13 of state forest land and state land commercially valuable for forest
14 development. The commissioner may consult with other state agencies
15 regarding the provisions of the agreement but the concurrence of
16 another agency of the state is not required.

17 (b) The commissioner shall establish the limitations, condi-
18 tions, and terms of the sale and each agreement shall set out the
19 silvicultural specifications that govern the harvest, regeneration,
20 and management of state land that is the subject of the agreement.

21 (c) The commissioner may provide in the agreement for

22 (1) the harvest of state timber and the prices to be char-
23 ged for the timber;

24 (2) the construction and maintenance of roads within the
25 area that is the subject of the agreement;

26 (3) the preparation of reports determined necessary by the
27 commissioner;

28 (4) incentives to the person entering into the agreement,
29 including the extension of the term of the agreement;

1 (5) penalties for a violation of a provision of the agree-
2 ment including termination of the agreement;

3 (6) other limitations, conditions, and terms determined in
4 the public interest by the commissioner.

5 (d) The commissioner shall provide the legislature with

6 (1) a copy of the agreement within 15 days of the execution
7 of the agreement or within the first 15 days of the next regular
8 session of the legislature;

9 (2) a report by March 1 on the areas of the state harvest-
10 ed, regenerated, and managed under an agreement during the preceding
11 calendar year.

12 * Sec. 2. (a) The commissioner of natural resources shall request
13 proposals for the management of not more than 200,000 acres of commercial
14 forest land under AS 38.05.122 as enacted in sec. 1 of this Act. The
15 proposals shall be requested within one year of the effective date of this
16 Act and each agreement shall be in effect within 18 months of the effective
17 date of this Act.

18 (b) Each agreement must

19 (1) mandate an annual allowable harvest level compatible with
20 the principles of sustained yield of the timber resources within the agree-
21 ment area;

22 (2) be for a period of 20 years subject to amendment by mutual
23 agreement of the commissioner and the contractor regarding an extension or
24 shortening of the term or a decrease in the area of the agreement.

25 (c) The commissioner shall evaluate a proposal received under this
26 section on the basis of

27 (1) a potential contractor's ability to process the forest
28 products in the state;

29 (2) the professional and financial qualifications of the

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potential contractor;

(3) the stumpage offered to the state; and

(4) the experience of the potential contractor with silviculture
in the state.

HOUSE
COMMITTEE REPORT

3/12

(9)

Date referred: 3/5/86

FURTHER REFERRALS: FINANCE

DATE: March 10, 1986

The RESOURCES Committee has considered SSHB 570

"An Act relating to state forest management."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS SSHB 570 (Resources) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

FIRST

SIGNING DO PASS:

Cato *Bette Cato*

Pearce *Anna Pearce*

Thompson *James W. Thompson*

Miller *M. W. Miller*

Shultz *Dink Shultz*

SIGNING OTHER RECOMMENDATIONS:

Alphoid Herrmann, No Rec

Herzmann

W. Koyfrelis do not pass

Walls unless done

Dink
Co-Chairman

Shultz
Shultz

Mike Nelson

276-0700

FMA legislation

Section 1. The Commissioner of Natural Resources may enter into an agreement with any person for the management of state land on a sustained yield basis and for carrying out all operations necessary for such management and, without restricting the generality of the foregoing, every such agreement shall set out,

a) the silviculture specifications that are to be observed and performed in respect of the harvesting, regeneration and tending of the state lands that are subject to the agreement; and

b) the standards of regeneration to be achieved on the state lands that are subject to the agreement,

and may provide for,

c) the cutting of state timber and prices therefore;

d) the construction, reconstruction and maintenance of any road necessary for such management and operations;

e) the preparation of plans, rules, reports and any other documents necessary for such management and operations;

f) incentives to an operator, including but not limited to, increases in the life of the agreement, for operations consistent with the harvesting, reforestation and other management objectives set out in the initial agreement.

g) penalties, including, but not limited to the termination of the agreement, for such persons conducting operations inconsistent with the harvesting, reforestation and other management objectives set out in the initial agreement.

h) any other terms and conditions which the Commissioner and such person may agree upon that are not inconsistent with the regulations,

The Commissioner of Natural Resources shall,

a) present each agreement to the legislature within 15 days of commencement of the agreement, if the legislature is in session, or at the beginning of the next session if the legislature is not in session,

b) present the legislature, by March 1 of every year, with a report in respect of the areas harvested, regenerated and tended under an agreement for the previous year,

Section 2. The Commissioner of Natural Resources shall offer an agreement for the management of state forest land as designated in AS xx.xx.xxx.

The agreement shall,

- a) include at least 200,000 acres of commercial state forest land in the Tanana Valley State Forest,
- b) be offered for proposal within one year of the effective date of this act,
- c) commence within six months of the selection of a contractor unless the contractor and the state agree that additional time is necessary to negotiate the agreement,
- d) mandate an annual allowable harvest level compatible with the sustained yield of forest resources within the agreement area,
- e) be for a period of 20 years with provisions for extension, reduction or termination of the length or area of the agreement.
- f) be offered to the public in the form of a request for proposal. Proposals will be considered on the basis of
 - 1) the operator's ability to process the forest products in-state
 - 2) professional and financial qualifications of the operator
 - 3) proposed stumpage

11/21/01 ✓
Great Lakes Forest Products Limited
Trout Lake Forest

Forest Management Agreement
502300



Ministry of Natural Resources
Hon. Alan W. Pope
Minister
John F. Siano
Deputy Minister

AGREEMENT made in quintuplicate this 24 day of September,
1954 under The Crown Timber Act, as amended, and The Public
Lands Act.

Am.
CF

BETWEEN: THE MINISTER OF NATURAL RESOURCES
for the Province of Ontario, hereinafter
referred to as the "Minister",

- AND -

GREAT LAKES FOREST PRODUCTS LIMITED, a company
incorporated under the laws of Canada,
having its head office in the City of
Thunder Bay in the Province of Ontario,
hereinafter referred to as the "Company".

WHEREAS the Minister and Company desire to enter into
a forest management agreement under The Crown Timber Act in
order to provide for a continuous supply of forest products
from the lands designated in Schedule "A" to this agreement for
the wood processing plant of the Company at Dryden, Ontario,
and to ensure that the forests on such lands are harvested and
regenerated to produce successive crops of timber on a
sustained yield basis;

NOW THEREFORE in consideration of the mutual
promises, covenants and other provisions contained in this
agreement, the Minister and the Company agree each with the
other as follows:

1. INTERPRETATION

1. In this agreement, the Minister and Company agree that,
 - 1) "AAC" means the annual allowable cut calculated by area in accordance with the provisions of the forest management manual;
 - 2) "agreement area" means the lands designated in Schedule "A" to this agreement, and the said lands are sometimes referred to as the "Trout Lake Forest";
 - 3) "annual plan" means an annual plan that is prepared under this agreement;
 - 4) "costs" means expenditures that are directly related to the work performed and that would not otherwise have been incurred but for the performance of the work;
 - 5) "final felling" means the removal of the last seed or shelter trees after regeneration has been effected under a shelterwood system or the removal of trees under a clear cut system;
 - 6) "forest management manual" means the manual that is approved by the Minister and that specifies the general structure and contents of management documents;
 - 7) "ground rules" means an agreement having a term of five years entered into under paragraph 14;
 - 8) "management documents" means the management plan, operating plan, annual plan, and ground rules;
 - 9) "management plan" means a management plan having a term of twenty years that is prepared under this agreement;
 - 10) "NSR lands" means lands referred to in Schedule "B" to this agreement;
 - 11) "nursery stock" has the same meaning as in section 1(d) of The Forestry Act;
 - 12) "operating plan" means an operating plan having a term of five years that is prepared under this agreement;
 - 13) "parties" means the Minister and Company;
 - 14) "person" includes a corporation and a firm;
 - 15) "production forest lands" means the part of the

agreement area that is used in the calculation of AAC;

- 16) "sustained yield" means the growth of timber that a forest can produce and that can be cut to achieve a continuous approximate balance between the growth of timber and timber cut;
- 17) "treatment" means any silvicultural treatment exclusive of a final felling;
- 18) "working group" means an aggregate of forest stands, including potential forest areas assigned to this category, having the same predominant species, and managed under the same rotation and silvicultural system;
- 19) "year" means a period commencing with the date of execution of this agreement by both parties and terminating with the 31st day of March next following and thereafter means a period commencing with the 1st day of April and terminating with the 31st day of March next following; and
- 20) "yield" means the volume of timber that may be harvested.

2. PERIOD AND AREA

2. Subject to the other provisions of this agreement, the parties agree that this agreement shall have a term of twenty years commencing with the 24th day of Sept., 1984.

3. The parties agree that this agreement applies in respect of the agreement area that is comprised of,

- a) a productive area of 7365.8 square kilometres;
 - b) an unproductive area of 2392.7 square kilometres;
- and
- c) a total area of 9758.5 square kilometres.

3. AUTHORITY TO HARVEST

4. (1) Subject to The Crown Timber Act and the regulations, the provisions of this agreement and the management documents, the Company is authorized to cut the following species of Crown

timber for the period of this agreement on the agreement area:

All Species

(2) The Minister reserves the right herein to cut and remove or to cause to be cut and removed, without compensation therefore to the Company, such Crown timber as may be required from time to time for the uses of Ontario.

5. (1) Subject to subparagraph 2, the Company agrees to pay to the Treasurer of Ontario for Crown timber cut under this agreement, in addition to the other Crown charges, the following prices, namely: NIL

For timber cut on the lands designated in Schedule "A",

(2) The prices mentioned in subparagraph 1 shall be subject to review by the Minister at the end of each five-year term of the period of this agreement, and if at the end of any such term it shall appear necessary or desirable that the prices should be adjusted, then such adjustments may be made by agreement between the parties, or, failing such agreement the matter of adjustment shall be referred to arbitration under The Arbitrations Act.

4. MANAGEMENT PLANS

6. (1) Within twelve months of the execution of this agreement, the Company agrees to prepare a management plan in respect of the agreement area in accordance with the forest management manual and to submit it to the Minister for approval.

(2) Within four months after receipt of the management plan, the Minister agrees to either approve the management plan as submitted and notify the Company of such approval or, after

discussion with the Company, notify the Company of the alterations to the management plan that the Minister requires.

(3) Where the Minister notifies the Company of the alterations to the management plan that the Minister requires, the Company, within two months of the date that the Minister gives notice to the Company of the alterations, agrees to make such alterations and to resubmit the altered management plan to the Minister for approval.

(4) Within two weeks of receiving the management plan as altered by the Company in accordance with the notice given by the Minister, the Minister agrees to approve the altered management plan and to give notice to the Company of such approval, and where the Minister fails to give such notice, the altered management plan shall be deemed to have been approved by the Minister upon the expiry of the said period of two weeks.

7. (1) Not later than six months prior to the expiry of the term of a management plan approved or deemed to have been approved under this agreement, the Company agrees to prepare a new management plan in respect of the agreement area in accordance with the forest management manual for the next following term of twenty years and to submit it to the Minister for approval.

(2) The parties agree that the procedure referred to in subparagraphs 2, 3 and 4 of paragraph 6 apply, with the necessary changes, in respect of the new management plan submitted under subparagraph 1.

8. The parties agree that any management plan approved

or deemed to have been approved under this agreement may be amended from time to time by mutual agreement.

9. During the term of a management plan that is approved or deemed to have been approved under this agreement, the parties agree that the agreement area shall be managed in accordance with such plan.

5. OPERATING PLAN

10. (1) Within six months of the execution of this agreement, the Company agrees to prepare an operating plan in accordance with the forest management manual in respect of all operations to be conducted on the agreement area in the first term of five years of the period of this agreement and to submit it to the Minister for approval.

(2) Within two months after receipt of the operating plan, the Minister agrees to either approve it as submitted and notify the Company of such approval, or, after discussion with the Company, notify the Company of the alterations to the operating plan that the Minister requires.

(3) Where the Minister notifies the Company of the alterations to the operating plan that the Minister requires, the Company, within 30 days of the date that the Minister gives notice to the Company of the alterations, agrees to make such alterations and to resubmit the altered operating plan to the Minister.

(4) Within two weeks of receiving the operating plan as altered by the Company in accordance with the notice given by the Minister, the Minister agrees to approve the operating plan and to give notice to the Company of such approval, and where

the Minister fails to give such notice, the altered operating plan shall be deemed to have been approved by the Minister upon the expiry of the said period of two weeks.

11. (1) Not later than six months prior to the expiry of an operating plan approved or deemed to have been approved under this agreement, the Company agrees to prepare a new operating plan in accordance with the forest management manual in respect of all operations to be conducted on the agreement area in the next following term of five years of the period of this agreement and submit it to the Minister for approval.

(2) The parties agree that the procedure referred to in subparagraphs 2, 3 and 4 of paragraph 10 apply, with the necessary changes, in respect of the new operating plan submitted under subparagraph 1.

12. The parties agree that any operating plan approved or deemed to have been approved under this agreement may be amended from time to time by mutual agreement.

13. During the term of an operating plan approved or deemed to have been approved under this agreement, the Company agrees that all operations on the agreement area referred to in such plan shall be conducted in accordance with such plan.

6. GROUND RULES

14. (1) The Company agrees to perform and observe the provisions of the ground rules set out in Schedule "C" commencing with the 24th day of Sept., 1984, and terminating with the 31st day of March 1989.

(2) Not later than eight months prior to the expiry of the ground rules then existing, the parties agree to commence

the preparation of the new ground rules in accordance with the forest management manual for the term of five years next following such expiry and to enter into an agreement in respect of such new ground rules on or before such expiry.

(3) The parties agree that ground rules may be amended in writing at any time or times by mutual agreement provided that the amendments are consistent with the then existing management plan and operating plan.

7. ANNUAL PLAN

15. (1) Upon the execution of this agreement or as soon thereafter as is reasonably practicable, the Company agrees to prepare an annual plan in accordance with the forest management manual in respect of the operations to be conducted on the agreement area in the first year of the period of this agreement and to submit it to the Minister for approval.

(2) Within 30 days after receipt of the annual plan, the Minister agrees to either approve it as submitted and notify the Company of such approval or, after discussion with the Company, notify the Company of the alterations to the annual plan that the Minister requires.

(3) Where the Minister notifies the Company of the alterations to the annual plan that the Minister requires, the Company, within 30 days of the date that the Minister gives notice to the Company of the alterations, agrees to make such alterations and to resubmit the altered annual plan to the Minister.

(4) Within two weeks of receiving the annual plan as altered by the Company in accordance with the notice given by

the Minister, the Minister agrees to approve the annual plan and to give notice to the Company of such approval, and where the Minister fails to give such notice, the altered annual plan shall be deemed to have been approved by the Minister upon the expiry of the said period of two weeks.

16. (1) Not later than the 31st day of October prior to the expiry of an annual plan approved or deemed to have been approved under the agreement, the Company agrees to prepare a new annual plan in accordance with the forest management manual in respect of the operations to be conducted on the agreement area in the year next following such expiry and to submit it to the Minister for approval.

(2) The parties agree that the procedure referred to in subparagraph 2, 3 and 4 of paragraph 15, apply, with the necessary changes, in respect of a new annual plan submitted under subparagraph 1.

17. The parties agree that an annual plan shall relate to a part of the agreement area that is referred to in the then existing operating plan and shall be consistent with such operating plan, the existing ground rules and management plan.

18. The parties agree that an annual plan approved or deemed to have been approved under this agreement may be amended from time to time by mutual agreement.

19. During the term of an annual plan approved or deemed to have been approved under this agreement the Company agrees to ensure that all operations on the agreement area referred to in such plan are conducted in accordance with such plan.

8. ANNUAL ALLOWABLE CUT

20. (1) The Company agrees that in each five-year term of

the period of this agreement the total area of a working group that is cut on the agreement area shall not exceed 110 per centum of the total of the AAC for the working group for such term and shall not be less than 90 per centum of such last mentioned total.

(2) Upon the written application of the Company, the Minister may in writing authorize variations from subparagraph 1 upon such terms and conditions as the Minister may specify, and the Company agrees to perform and observe such terms and conditions.

(3) Where the total area of a working group that is cut on the agreement area in a five-year term exceeds 110 per centum of the total AAC for the working group for such term, the Company, at its expense, agrees to promptly regenerate forests in accordance with the then existing ground rules on any part of the agreement area that is approved by the Minister and is equal in size to the difference between the aforesaid total area and 110 per centum of the aforesaid total AAC. Failure to regenerate will constitute a default of the agreement.

(4) Subject to subparagraph 3, where the total area of a working group that is cut in a five-year term, save and except the first five-year term of this agreement, is less than 90 per centum of the total AAC for the working group for such term, the Company agrees to then pay to the Minister, as liquidated damages and not as a penalty, an amount of money equal to the amount of the stumpage charges then applicable, on the volume of timber equal to the difference between 90 per centum of the

total AAC for the working group for the five-year term and the total volume of timber that is cut in the same five-year term in the working group.

(5) The parties agree that subparagraph 4 shall not apply in respect of Crown timber that is referred to in an existing management plan as surplus.

9. UTILIZATION

21. Where an existing management plan provides that any Crown timber on the agreement area is surplus, the Company agrees that the Minister, after consultation with Company, may take such action as he considers advisable to have such surplus harvested, and the Company also agrees not to claim any property, lien, charge or encumbrance in or on such surplus that is so harvested.

10. TREATMENTS

22. (1) Subject to subparagraph 2, the Minister agrees to pay to the Company for the performance on the agreement area of a treatment set out in column 1 of Schedule "D" at the rate set out opposite thereto in column 2.

(2) The Minister agrees to revise the rates set out in Schedule "D" as of the commencement of each year of the period of this agreement in accordance with the rate of inflation determined by the Minister of Economics, and also agrees to review and readjust, if necessary, the said rates at the end of each five-year term of the period of this agreement.

(3) The Minister agrees to supply and deliver free of charge, to the Company all nursery stock and seeds reasonably required for the performance of a treatment in accordance with

an approved annual plan, and agrees to so deliver the nursery stock and seeds to the area or areas referred to in such plan.

23. Where any increase in yield or AAC for a working group is the result of a treatment that is applied on behalf of the Company at its sole expense, save and except a treatment applied under paragraph 20(3), and such treatment and increase are certified in detail in writing by a registered professional forester on behalf of the Company, the Minister agrees that,

- (a) at the time such increase is harvested, the Company shall pay, and the Company agrees to pay, only 10 per centum of the stumpage charges that are then applicable for the volume of such increase, and
- (b) he will not dispose of such increase to any other person unless the Company consents in writing or such disposition is made under a provision of this agreement.

11. PRODUCTIVITY AND NSR LANDS

24. Subject to the provisions of this agreement, the Company agrees with the Minister to keep production forest lands reforested in accordance with the ground rules.

25. Where NSR lands are of a site class III or better, as defined in the ground rules, and are, in the opinion of the parties, economically capable of being reforested, the Company agrees to reforest such NSR lands with such species of trees as are compatible with the nature and quality of such NSR lands and the timber required in the Company's plant or plants, and also agrees to so reforest five per centum of the total quantity of such NSR lands in each year of the period of this agreement or at such other rate as the parties agree upon.

26. Where forest on land forming part of the agreement area that is site class III or better, as defined in the ground rules, is destroyed by natural causes after the commencement of the period of this agreement, the parties agree to determine a plan of remedial action.

27. (1) The Company agrees to assess whether or not the stocking of regeneration within the parts of the agreement area that are site class III or better, as defined in the ground rules, is in accordance with the ground rules, and agrees to make such assessment in the fifth year after the trees on such parts are harvested or in the fifth year after such parts are treated in accordance with the ground rules.

(2) Where an assessment made under subparagraph 1 indicates that the said parts are not stocked in accordance with the ground rules, except where such parts have not been treated with a treatment by the Company in virtue of the lack of an appropriation by the Legislature of Ontario, the Company, at its expense, agrees to then reforest such lands in accordance with the ground rules.

28. Where in the Minister's opinion, brush encroachment or any other natural occurrence may inhibit reforestation of any part of the agreement area, the Ministry may give the Company written notice thereof, and the Company agrees to then reforest such parts of the agreement area in accordance with the ground rules.

29. Where injurious insects or diseases or any other natural causes reduce or may reduce the yield or AAC for any working group, the parties agree to determine and implement a

plan of remedial action.

12. SALVAGE

30. (1) Where Crown timber is killed or damaged on the agreement area, the Minister agrees to give notice to the Company of the location of such timber.

(2) Within 30 days of the giving of notice under subparagraph 1, the Company agrees to notify the Minister whether or not the Company desires to salvage the killed or damaged Crown timber, and,

- (a) where the Company desires to salvage such timber, the Company agrees to salvage such timber upon such terms and conditions and prices as the parties agree upon, or
- (b) where the Company does not desire to salvage such timber, the Company agrees that the Minister may salvage such timber or have such timber salvaged in such manner as the Minister considers advisable and also agrees not to claim any property, lien, charge or encumbrance in or on the salvage timber.

(3) Where the Company fails to give notice to the Minister under subparagraph 2, the Company agrees that it shall be deemed to have given notice to the Minister that it does not desire to salvage the killed or damaged Crown timber.

(4) The Company agrees that the Minister may, after consultation with the Company, permit the cutting of any other Crown timber that should in the interests of economic forest utilization, be cut with any killed or damaged Crown timber to be salvaged under subparagraph 2.

13. ROADS

31. (1) The Minister agrees to pay to the Company,

- (a) subject to a maximum of Forty-three Thousand, One Hundred and twenty-eight (43,128) Dollars for each kilometre, for the costs of construction or reconstruction of primary roads on public land on the agreement area in accordance with the annual plan then existing; and
- (b) The lesser of seventy-five (75) per centum of actual cost or Sixteen Thousand, One Hundred and Seventy-three (16,173) Dollars for each kilometre, for the costs of construction or reconstruction of secondary roads on public lands on the agreement area in accordance with the annual plan then existing.

(2) The parties agree that a "primary road" is a road that conforms with the specifications set out in Schedule "E" under the column entitled "Primary Road" and that a "secondary road" is a road that conforms with the specifications set out in Schedule "E" under the column entitled "Secondary Road".

(3) Unless the parties agree otherwise, the Minister agrees to annually pay the Company for road construction or reconstruction in accordance with subparagraph 1 at the end of the year.

(4) For the actual maintenance of primary roads and secondary roads that are constructed or reconstructed under this agreement, the Minister agrees to annually pay to the Company Four Hundred and Thirty-one (431) Dollars for each kilometre for the cost of maintenance of such primary roads and secondary roads at the end of each year unless the parties agree otherwise.

(5) The Minister agrees to revise the maximum rates referred to in subparagraphs 1 and 4 as of the commencement of each year of the period of this agreement in accordance with

the rate of inflation determined by the Minister of Economics, and also agrees to review and readjust, if necessary, the said maximum rates at the end of each five-year term of the period of this agreement.

(6) Where the Minister makes a payment to the Company under subparagraph 1, the Company agrees under The Public Lands Act that,

- (a) the use and occupation of the primary road or secondary road, as the case may be, in respect of which such payment is made shall be subject to the provisions of The Public Lands Act;
- (b) the primary road or secondary road, as the case may be, in respect of which such payment is made shall be open to travel by the public generally; and
- (c) notwithstanding any provision of any agreement, permit, licence, lease or any other document to the contrary, every road under the control of the Company or any subsidiary of the Company that connects in any way with the primary road or secondary road, as the case may be, in respect of which such payment is made, shall also be open to travel by the public generally.

14. FINANCIAL

32. (1) The obligations of the Minister to pay monies under this agreement are each subject to the conditions precedent that monies are appropriated therefore by the Legislature of the Province of Ontario.

(2) The Company agrees to submit to the Minister invoices in triplicate setting out all the details of the payments sought under this agreement and containing the written certification of a responsible employee of the Company that the invoice is accurate, true and complete.

(3) The Crown agrees to pay invoices submitted by the Company under this agreement within 30 days after the invoices are received in the Ministry of Natural Resources.

15. EVERGREEN

33. The Minister agrees to determine at the end of each term of five consecutive years of the period of this agreement whether or not the obligations of the Company under the management documents have been performed or satisfactorily performed in such term, and

- (a) where in the Minister's opinion such obligations have been performed and where the parties have agreed to an operating plan and ground rules for the next following term of five consecutive years, the Minister agrees to then extend the remaining period of this agreement a further term of five consecutive years, and
- (b) where in the Minister's opinion such obligations have not been performed or have not been satisfactorily performed, the Minister agrees to specify a period of time within which the Company may perform the obligations in default, and the Company agrees to perform such last mentioned obligations within the specified period of time, and
 - (i) where in the Minister's opinion, such last mentioned obligations have been performed within the specified period of time and where the parties have agreed to an operating plan and ground rules for the next following term of five consecutive years, the Minister agrees to then extend the remaining period of this agreement a further term of five consecutive years, and
 - (ii) where in the Minister's opinion such last mentioned obligations have not been performed within the specified period of time, the Minister on written notice to the Company may terminate this agreement.

16. WITHDRAWALS

34. (i) In the twenty-year period commencing with the 24K

day of Oct, 1984, terminating with the 31st day of March 2004 and in each consecutive twenty-year period thereafter, if any, the Minister, subject to subparagraph 2, agrees that the total withdrawal of land from a working group that is made by the Minister shall not exceed the product of 20 times 5 per centum of the AAC determined for the first year of the twenty-year period, provided that the Minister may make withdrawals of land from a working group in excess of the aforesaid product, where the Minister is able to replace such excess with comparable forest lands.

(2) In determining the AAC of a working group under subparagraph 1, the parties agree that any increase in the AAC for the working group that is the result of a treatment that is applied by the Company at its sole expense, save and except a treatment applied under paragraph 20(3), shall not be reckoned.

35. Subject to paragraph 34, where an approved operating plan exists, the Company agrees that the Minister, after consultation with the Company, may from time to time withdraw land that is subject to such plan provided that in the Minister's opinion, such withdrawal is in the public interest and will not materially affect the operations under such plan, and each such withdrawal shall be effective upon the giving of notice thereof to the Company.

36. Subject to paragraph 34, where an approved operating plan exists, the Minister, after consultation with the Company, may from time to time withdraw such lands, that are not subject to that operating plan, as the Minister considers advisable in the public interest, and each such withdrawal shall be

effective upon the giving of notice thereof to the Company.

37. Where a withdrawal of lands is made under paragraph 35 or 36, the Company agrees to remove from such lands within such reasonable period of time as is specified in writing by the Minister, all chattels, all portable buildings and structures and such other non-portable buildings and structures, if any, that the Company desires to remove, and the Minister agrees to compensate the Company for,

- (a) the reasonable cost of removing the aforementioned things from the withdrawn lands and re-establishing them elsewhere on the agreement area,
- (b) the non-portable buildings and structures that are not removed by the Company from the withdrawn lands on the basis of cost less depreciation as defined in the depreciation schedules under the Income Tax Act of Canada, or on such other basis as is mutually agreeable to the parties, and
- (c) the cost of all treatments, except final felling, that have been conducted on the withdrawn lands at the sole expense of the Company, save and except all treatments applied under paragraph 20(3), provided that such treatments are certified in writing in detail by registered professional forester on behalf of the Company.

17. ANNUAL REPORT

38. (1) Subject to subparagraph 2, the Company agrees to submit an annual report to the Minister on or before the 30th day of April of each year of the period of this agreement, in respect of the operations conducted on the agreement area in the preceding year.

(2) The Company agrees that the aforesaid annual report shall be prepared in accordance with the forest management

manual.

18. GENERAL

39. The failure of the Minister to insist in one or more instances upon the performance by the Company of any provision of this agreement or the management documents shall not be construed as a waiver of the future performance of any such provision and the obligation of the Company with respect to such future performance shall continue in full force and effect.

40. Where the Company fails at any time to perform any of its obligations under this agreement or the management documents, the Company agrees that the Minister may give notice to the Company stating in detail the default complained of and if the default complained of is capable of being made good, requiring the Company to make good such default within the period of time specified in the notice, and at the expiration of such period of time, the Minister may, if the default complained of has not been made good by the Company,

- (a) terminate this agreement on notice to the Company, or
- (b) make good such default, and the Company agrees to pay to the Minister, as liquidated damages and not as penalty, the costs of so doing.

41. (1) Any default or delay on the part of the Minister or Company, as the case may be, in the performance or observance of any provision of this agreement or the management documents occasioned by labour disputes, strikes, lock-outs, fire, insects, wind, ice, disease, unusual delay by common carriers

or, without limitation to any of the foregoing, by any cause of any kind whatsoever beyond the control of the Minister or Company, as the case may be, shall not be or be deemed to be a default or delay on the part of the Minister or Company, as the case may be, under this agreement or the management documents.

(2) Where an event that causes a default or delay within the meaning of subparagraph 1 ceases and such default or delay can be made good, the parties agree that the time for performing and observing their respective obligations under this agreement or the management documents shall be extended for a period of time equal to the duration of such event provided that no such extension of time shall exceed the period of this agreement then remaining.

(3) Where default or delay on the part of the Company in the performance or observance of a provision of this agreement or the management documents is occasioned by any cause whatsoever within the Company's control that the Minister decides justifies such default or delay, the Minister may extend the time for the Company to perform and observe any such provision.

42. The Company agrees not to assign the whole or any part of this agreement or any agreement entered into under this agreement without the written prior consent of the Minister.

43. The parties agree that this agreement and the management documents shall be construed in accordance with the laws of Ontario.

44. (1) In the case of any dispute arising between the parties as to any matter arising under this agreement or the

management documents, either party to this agreement shall be entitled to give the other party notice of such dispute and to demand arbitration under The Arbitrations Act of Ontario, and after the expiry of 30 days from the giving of such notice, such dispute may be referred to the arbitration of a single arbitrator, if the parties agree upon one, otherwise to three arbitrators, one to be appointed by each party and a third to be chosen by the first two named before they enter upon the business of arbitration.

(2) The parties agree that the decision of the arbitrator or arbitrators shall be final and binding upon the parties who agree that their disputes shall be so decided by arbitration alone and not by recourse to any court by way of action.

45. If the Company should be adjudged a bankrupt, or if the Company should make a general assignment for the benefit of the Company's creditors, or if a receiver should be appointed on account of the Company's insolvency, the Minister may, without prejudice to any other right or remedy, terminate this agreement and the management documents on notice to the Company.

46. The Minister may on notice to the Company terminate this agreement,

- (a) where the Company fails, under this agreement, after negotiations with the Minister, to enter into an agreement in respect of ground rules,
- (b) where a management plan, operating plan or annual plan, or any of them, is not finalized under this agreement in virtue of any default on the part of the Company.
- (c) where the Company fails in its obligations

under paragraph 9, 13, 14(1) or 19, or any of them, or

- (d) where any event within the meaning of paragraph 41(1) has occurred and is continuing and in the opinion of the Minister is of such a nature that any material obligations contained in this agreement or any of the management documents will likely remain impossible to perform and as a result, will frustrate this agreement.

47. (1) Where any notice is required to be given under this agreement or the management documents, such notice shall be given in writing and shall be personally served or mailed by prepaid registered post addressed,

- (a) in the case of notice to the Minister, to the Minister of Natural Resources, Whitney Block, Parliament Buildings, Toronto, Ontario, M7A 1W3, and
- (b) in case of notice to the Company to Vice-President, Woodlands Operations
Great Lakes Forest Products Limited
Box 430, Thunder Bay, Ontario
P7C 4W3

(2) Any notice mailed in accordance with subparagraph 1 shall be deemed to have been received on the fifth day next following the day it is mailed at any post office.

48. The parties agree that the headings in this agreement are inserted for convenience of reference only and shall not be used to construe the agreement.

49. Unless as otherwise expressly provided herein, this agreement shall not be interpreted as in any way limiting the authority conferred upon the Minister by statute or regulation to manage the agreement area and the resources thereon.

50. This agreement shall enure to the benefit of and be binding upon the Crown in right of Ontario, Her heirs and successors and the Company, its successors and assigns.

IN WITNESS WHEREOF the Minister has subscribed his signature and affixed the seal of the Minister of Natural Resources and the Company has affixed its corporate seal at the hands of its officers duly authorized in that behalf.

SIGNED, SEALED and DELIVERED)
in the presence of)

W.P. Williams)
as to execution by the)
Minister of Natural Resources)
for the Province of Ontario)

[Signature])
MINISTER OF NATURAL RESOURCES)

) GREAT LAKES FOREST PRODUCTS)
) LIMITED)

) By: [Signature])
) Position: [Signature])

) And: _____)
) Position: _____)

SCHEDULE "A"

to the agreement between the Minister of Natural Resources
and Great Lakes Forest Products Limited
Trout Lake Forest

All and singular that certain territory in the Territorial District of Kenora, Patricia Portion, containing a total area of 9755.5 square kilometres, be the same more or less, the boundaries of which territory shall be more particularly described as follows:

COMMENCING at a point distant 28.968 kilometres, measured north astronomically from a point in the 7th Base Line distant 108.631 kilometres measured westerly thereon from the boundary between the Territorial Districts of Kenora and Thunder Bay;

THENCE south astronomically 16.093 kilometres;

THENCE west astronomically 8.851 kilometres;

THENCE south astronomically 12.070 kilometres, more or less, to the northwesterly bank of a stream flowing from Broadcast Lake to Broad Lake;

THENCE in a general southwesterly direction following the northwesterly bank of the said stream to its confluence with the water's edge of Broadcast Lake;

THENCE in a general northwesterly direction following the water's edge along the northeasterly shore of Broadcast Lake to the most northerly extremity thereof;

THENCE northwesterly in a straight line 1.609 kilometres, more or less, to the water's edge at the most southerly extremity of Broad Lake;

THENCE in a general northwesterly direction following the last mentioned water's edge to its junction with the southerly bank of a watercourse flowing from Broad Lake to Lac Seul;

THENCE in a general westerly direction following the southerly bank of the said watercourse to its confluence with the water's edge along the northerly shore of Lac Seul;

THENCE in a general northwesterly direction following the water's edge along the northerly shore of Lac Seul to its confluence with the water's edge along the northerly shore of the English River;

THENCE in a general westerly direction along that water's edge to the water's edge along the northerly shore of a river flowing from Pakwash Lake;

THENCE in a general northwesterly direction following that water's edge to the confluence with the water's edge along the easterly shore of Pakwash Lake;

THENCE in a general northeasterly direction along that water's edge to the southerly boundary of Pakwash Provincial Park;

THENCE in an easterly direction along that southerly boundary to the southeasterly corner of Pakwash Provincial Park;

THENCE northerly along the easterly boundary of Pakwash Provincial Park to the northeasterly corner thereof;

THENCE northwesterly along the easterly limit of the right of way of that part of the King's Highway known as No. 105 to the water's edge along the easterly bank of the Chukuni River;

THENCE in a general northerly and northwesterly direction along that water's edge to the intersection with a line drawn south astronomically from the southeast angle of the geographic Township of Willans;

THENCE north astronomically 3.219 kilometres, more or less, to the southeast angle of the said Township of Willans;

THENCE north astronomically along the east boundaries of the geographic townships of Willans, Ranger and Shaver, 28.968 kilometres, more or less, to the northeast angle of the geographic Township of Shaver;

THENCE west astronomically along the north boundaries of the geographic townships of Shaver and Bateman 19.312 kilometres, more or less, to the northwest angle of the geographic Township of Bateman;

THENCE north astronomically 11.265 kilometres;

THENCE east astronomically 0.805 kilometres;

THENCE north astronomically 8.047 kilometres;

THENCE west astronomically 1.287 kilometres, more or less, to the water's edge along the easterly bank of the Nungesser River;

THENCE in a general northeasterly and southeasterly direction along that water's edge to its confluence with Nungesser Lake;

THENCE in a general southeasterly, northeasterly and easterly direction following the water's edge along the southerly shore of Nungesser Lake to its confluence with a watercourse flowing northerly into the said lake at its easterly extremity and at a distance of 27.359 kilometres, more or less, westerly from the Sixth Meridian;

THENCE in a general southerly direction following the westerly bank of the said watercourse 3.219 kilometres, more or less, to a line drawn west astronomically from the intersection of the aforementioned Sixth Meridian with the 10th Base Line;

THENCE east astronomically 26.876 kilometres, more or less, to the intersection of the Sixth Meridian with the 10th Base Line aforesaid;

THENCE east astronomically along the said 10th Base Line 64.357 kilometres, more or less, to the intersection with a line drawn north astronomically from a point distant 34.601 kilometres measured east astronomically from the point of commencement;

THENCE south astronomically 86.905 kilometres, more or less, to the aforementioned line drawn east astronomically from the point of commencement;

THENCE west astronomically 34.601 kilometres to the said point of commencement.

Save and Excepting therefrom all those lands which have been alienated from the Crown, Ontario, on which the trees are not reserved to the Crown.

The boundaries of the above described lands are shown in stippled form on a plan dated June 25, 1984, prepared by the Ministry of Natural Resources, Ontario, Timber Sales Branch, a print of which said plan is attached to and forms part of this schedule.

Also Saving and Excepting thereout and therefrom all reserve areas stipulated and shown coloured in red on forest stand maps prepared by the Ministry of Natural Resources, Timber Sales Branch, copies of which said maps will be provided to the Company upon execution of this agreement.

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SCHEDULE 'B'

to the agreement between the Minister of Natural Resources and
Great Lakes Forest Products Limited

This schedule consists of a summary, and the priority of treatment of the NSR lands.

1. Summary

Total area surveyed 189,804 hectares of size class III or better lands.

NSR Class ¹ area		Areas in hectares	Percent of Total surveyed
Above Minimum Stocking	1. Free-to-Grow	178,725	94
	2. Requires tending	23	
Below Minimum Stocking	3. Can be regenerated at normal costs	1,255	1
	4. Can be regenerated at costs 50% to 100% greater than normal	1,413	1
	5. Cannot be regenerated under present technology	8,363	4
Total		189,804	100

2. Priority of treatment

During the first term of five years of the period of this agreement, the treatments of Class 2 and Class 3 NSR lands shall receive priority, and treatment of Class 4 lands is at the option of the Company.

¹ Detailed definitions of the NSR classes are in the forest management manual

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SCHEDULE C - TROUT LAKE FOREST

TO THE AGREEMENT BETWEEN THE MINISTER OF NATURAL RESOURCES AND
GREAT LAKES FOREST PRODUCTS LIMITED

GROUND RULES

1. TERMS OF GROUND RULES

These ground rules provide guidelines and standards for forest management practices and treatments on Forest Management Agreement No. 502300 known as the Trout Lake Forest. The ground rules commence the 24th day of April, 1964 and end on the 31st day of March, 1969.

2. AMENDING THE GROUND RULES

These ground rules may be amended in accordance with paragraph 14(3) of the agreement. Any amendments shall be made in writing and jointly authorized by the Regional Director, Northwestern Region of the Ontario Ministry of Natural Resources, and the Resident Manager, Dryden Woodlands Operations, of Great Lakes Forest Products Limited.

3. APPLICATION

Unless stated otherwise, the definitions, methods and procedures described in the forest management manual, shall apply to the area under the agreement.

4. OPERATIONAL SURVEYS AND STANDARDS

4.1 Purpose

- Correction of the provisional allocation of stands listed for operations during the five year period;
- estimate of volume allocated for cutting;
- revision of calculated annual allowable cut;
- correction of data for the silvicultural prescriptions for each allocated area.

4.2 Type of Surveys

The following survey techniques may be used to obtain information for operational planning based on ground sampling in selected stands:

1. Point sampling method
2. Plot sampling method
3. Strip sampling method

All require that major species be tallied by diameter class at breast height, and that the average height and age of conifer species be verified. Ontario normal yield tables and provincial cull tables are

employed in compiling the sample data. Instructions for carrying out these methods of sampling are available at the Company's Dryden office.

Another technique is based on detailed photo interpretation supported by ground verification of height, age and stand classification for species content. Detail of each stand is submitted to a data processing procedure using FRI base data for volume compilation from Plonski's gross merchantable volume tables. This procedure changes the stand boundaries, usually into smaller units of area, and then creates a new data file.

This system is new and under consideration of the Dryden operations. Data is presented in a computer printout by working group and age class. In all field sampling and verification, site descriptions of topography, slope, soils, and timber quality which may affect operations is stressed. This information is also necessary for the pre-cut planning of subsequent silvicultural treatments.

5. SILVICULTURAL SPECIFICATIONS AND STANDARDS

5.1 Introduction

Silvicultural specifications will be carried out in accordance with Table 1.

The setting of specifications and standards, while providing for a degree of firmness, should not be construed as an attempt to limit innovation and the development of more effective procedures. With this in mind, the Minister will allow on an annual basis, up to 15% deviation by area, for each working group, from the specifications in the ground rules, providing that the desired objectives and standards of accomplishment are the same as those in Table 1.

Silvicultural specifications not prescribed in Table 1, or deviations in excess of 15 percent by area from those in Table 1 will be identified in the annual plan and are subject to approval by the Minister as to terms of the prescription, size of area and location. Compensation, if not set out in Schedule "D" of the forest management agreement, will be negotiated before the annual plan is approved.

5.2 Specifications and Standards

The silvicultural work performed will be in accordance with the specifications in Table 1, or as follows:

5.2.1 Site Preparation

The Company may, by altering logging methods, eliminate the need for site preparation on sites which, according to Table 1 require this treatment. These sites will be identified, where possible, in the operating plan and further detailed in the annual plan and mutually agreed upon. These areas will be compensated at an appropriate site preparation rate set out in Schedule D. In this instance, the Construction Lien Act will not apply.

On areas that the Company is site preparing for subsequent planting by the Minister, the quality of site preparation will be such that approximately 2,100 or more well distributed, plantable microsites will be available per treated hectare, unless otherwise stated in the annual plan. A plantable microsite will be defined as per Forest Management Information System (Appendix II).

Wherever possible, every effort will be made to increase this to 2,500 plantable microsites per hectare.

Sites which may require more than one site preparation treatment (not including 'altering logging methods') are to be identified in the annual plan and mutually agreed upon. On these sites treatments will be compensated for as indicated in Schedule "D".

In some cases, prescribed burning is the most appropriate site preparation technique. If the use of fire is prescribed and agreed to as an acceptable site preparation treatment, either primary or final, the Minister will conduct the treatment and will pay the costs.

The amount of area to be burned by prescription will be identified in the five year operating plan and specifically identified in the annual plan. Areas to be burned must be agreed to by the date of the annual plan submission.

Areas scheduled by agreement for prescribed burn in the spring, summer or fall of which the Minister fails to execute by July 1, September 1st or October 1st respectively, of the same year, may be site prepared using the second best alternative, by the Company, and compensated at the appropriate site preparation rate. Alternative methods of site preparation will be identified in the operating plan and further detailed in the annual plan. If used, this alternate treatment will be compensated for according to Schedule "D".

Ministry of Natural Resources Fire Control staff must be involved in the planning of areas considered for prescribed burning such as:

- 1) site design
- 2) size and shape of area
- 3) natural fire boundaries
- 4) adjacent values (i.e. timber plantation, private property)
- 5) road locations
- 6) shoreline reserves
- 7) fire prescriptions

5.2.2 Nursery Stock Standards

The Minister shall provide planting stock meeting the specifications outlined in Table 2 or Table 3, or as agreed to in the annual plan. (The Annual Plan shall specify the species, type [nursery or container stock], size class and site region for the required planting stock.)

The Minister will provide a list of the actual stock parameters indicated in Table 2 or 3 for each shipment. Prior to the shipment of stock that the Minister deems marginal, the Company will be asked to assess its acceptability. The Company may perform tests, including pressure bomb readings, to determine the acceptability of the stock.

When the Company has inspected the stock at time of arrival and has signed a receipt, the stock will be deemed to have met the specifications. The Company may refuse to accept stock where more than 15 percent does not meet the agreed specifications on any two of the parameters listed in Table 2 or 3, or exhibits symptoms of physiological damage. (A sampling procedure to assess the acceptability of the shipment may be specified in the annual plan.) In the event the Company refuses to accept a shipment, the Minister will attempt to provide suitable replacement stock as soon as possible.

If a regeneration project is delayed because of the unavailability of acceptable stock or seed, it will not constitute non-performance by the Company under paragraph 40 of the agreement.

The Minister will deliver planting stock to a central area agreed to by the Company and the Minister from which the Company may draw trees. The Minister may also deliver bare root or container stock to pre-determined, mutually agreed to, central field locations within the agreement area. When the Company

accepts receipt of the trees, at the point of delivery, the care and handling of the planting stock becomes the Company's responsibility.

If the Company site prepares an area, and due to the unavailability of suitable stock or seed the area has to be site prepared again, as agreed to in the annual plan, the Minister will pay for the retreatment at the rates set out in Schedule "D".

5.2.3 Tending

As stated in Table 1, tending will be carried out as required before competition interferes with growth and survival of conifers. The tending may involve one or more treatments or types of treatments. Where tending to maintain growth and survival is required after Free-to-Grow status is reached, it will be at the Company's expense.

The parties agree, in the event that appropriate herbicides are not, or cease to be, licensed for forestry use in Ontario, the Company's obligation to tend if necessary will no longer hold. On areas where regeneration has already been initiated, the Company will not be required to retreat failures if such a failure is agreed to be the result of unavailability of suitable herbicides. On areas where regeneration has not been initiated, the Minister reserves the right to refuse to approve any treatment, and shall not require the Company to treat sites where the regeneration may be expected to fail if tending cannot be done because of the lack of suitable herbicides.

Generally, "tending" refers to chemical tending. If the use of chemicals for tending is restricted mechanical tending may be substituted. Compensation for silvicultural treatments that are not set out in Schedule "D" of the Agreement will be negotiated before the annual plan is approved.

5.3 Non-Treatable Productive Forest

Areas at least 3 hectares in size which have been allocated for harvesting in the operating plan, or are depleted for other reasons in the operating plan period, may be classed as non-treatable by mutual agreement between the Company and the Minister. They will be identified in the annual plan and will be included as depletions in the annual report.

An area may be considered as non-treatable where extremes in topography, shallowness of soil, excessive rock, poor drainage, or inaccessibility make it uneconomic or impractical to treat.

These areas will be assessed in the fifth year after harvesting or other disturbances, to determine the working group or whether the areas meet minimum stocking standards as outlined in Table 1.

6. REGENERATION ASSESSMENT

The Minister will do the fifth year stocking assessment for areas treated by the Minister if requested by the Company.

On areas which are obviously above, or are plainly below the minimum stocking standards, a visual inspection may be used. On areas where stocking appears to be marginal, a formal method of assessment will be carried out. The formal method will be in accordance with the Ministry Forest Management Information System.

Areas smaller than 8 hectares in any one silvicultural project, will not be submitted for retreatment or for entry into the inventory.

7. AREA DETERMINATION FOR PAYMENT

The same area figure used to record silvicultural treatment will form the basis for payment. Normally, any untreated areas of more than 2 hectares which are identifiable on a map and within the boundary of the treated area, will not form part of the gross area and will not form part of the area for payment.

8. INVOICING

For each ongoing silvicultural project, the Company may submit an invoice to the Minister no more frequently than every two weeks.

On completion of a silvicultural project, a map (scale 1:15,840) showing the area will be submitted to the Crown representative and within two weeks of receiving this map he will verify that the map is accurate or, in conjunction with the Company, revise the area to a mutually agreeable figure. When agreement has been reached, a final invoice for that project will be forwarded to the Minister.

Upon completion of a road or section of a road, the Crown representative and the Company will conduct a joint inspection of the road or section of road after which a final invoice will be submitted to the Minister.

Roads that have been completed in any year except gravelling, will qualify for eighty percent of that year's subsidy per kilometre. When gravelling has been completed in the following year, a final payment will be made of twenty percent of that year's subsidy per kilometre as stated in the annual plan for that class of road.

9. WASTEFUL PRACTICES

With some silvicultural practices it may be necessary to leave, fell, or to remove from the site but not utilize, or pay stumpage charges on certain trees. Such leaving or falling could be interpreted as wasteful practices under the Crown Timber Act. In such circumstances it should be recognized that the intent is to improve the yield of commercial species and not to contravene the provisions of the Act. Such actions shall be specified, if possible, in the operating plan and no later than in the annual plan.

10. CONE COLLECTION

If the Company elects to undertake a cone collection program to provide some or all of the seed for the Forest in addition to the Minister's own program on the agreement area, the Minister will pay the Company at the district cone rates then currently in effect. The quantity of cones to be collected will be identified in the annual plan. The Minister will be responsible for the cost of transporting (from designated central location), extracting and storing seed collected by the Company and will issue specific Company seed source numbers. The Company will have first rights to seed collected in specific stands identified in the annual plan. In addition, the Company will have first rights to any seed identified under the Company seed source numbers.

11. RESEARCH OR TREE IMPROVEMENT AREAS

It is agreed that certain areas may be set aside for experimental studies of regeneration techniques for the purpose of tree improvement programs such as seed collection areas or seed orchards.

These programs can make valuable contributions towards achieving the objectives of the forest management agreement and should be encouraged. The areas involved may be on the most accessible and more fertile sites and will be agreed to by both parties at the time they are required. Areas designated as 'Research or Tree Improvement Areas' will not be considered withdrawals under paragraph 34 of the agreement.

12. FORESTRY OPERATIONS ON MINING CLAIMS

Throughout the agreement area tracts of productive forest land have been staked or leased for mining potential. Should the Company undertake forestry activities on any mining leases or claims, it is agreed that the Company will assume full responsibility for all damages to mining claims as a result of forestry activities on these areas and will hold the Minister free from any damages from Company activities.

13. EXCLUSIONS

The Company shall have the right of first refusal to any

timber which may be produced from lands which have been excluded from the agreement area and described in Schedule "A" as "all reserve areas stipulated and shown coloured red on forest stand maps prepared by the Ministry of Natural Resources, Timber Sales Branch, copies of which said maps will be provided to the Company upon execution of the agreement."

14. WHITEWATER RIVER A.N.S.I. EXCLUSION

This A.N.S.I. has been identified to provide representation of earth and life science features associated with Landscape Unit 24 - Lac Seul Moraine (Bluffy Lake Portion) and the Central boreal forest region. This area is being designated as an exclusion for the initial five year period of the agreement to further allow for additional park inventory and analysis work in order to better define park values. After this initial five year period, an area to a maximum of approximately 38,900 hectares may be returned to the (Trout Lake Forest) land base.

There will be no cutting within the area during the initial five year term of the agreement.

15. MODIFIED MANAGEMENT AREAS (M.M.A.'s)

(1) The Minister, in consultation with the Company, will identify and delineate on F.R.I. Forest Stand Maps (scale 1:15,340) during the preparation of each Five Year Operating Plan, those areas which are to be managed to meet objectives other than or in addition to wood fibre production.

It is intended that where possible, some form of harvesting and regeneration will be carried out in Modified Management Areas. The harvesting and regeneration techniques will be designed to accommodate both the initial and return cuts wherever possible.

(2)(a) For each of those areas, the Minister will classify and state the management objectives and develop specific prescription in the following manner:

- (i) Areas that the Company will be allowed to harvest at the time of the initial cut.
- (ii) Areas that the company will be allowed to harvest at a future date, i.e. leave areas. Depending on conditions such areas may be reclassified as no harvest areas at the Company's option.
- (iii) Areas that the Company will not be allowed to harvest, i.e. no harvest areas.

(b) All M.M.A.'s that fall into (2)(a)(ii), shall be

accompanied by either; a specific time limitation, or a height requirement for cutover immediately adjacent to the leave area. When the prescription for each specific leave area has been attained, the leave area will automatically become eligible for harvest.

(c) All M.M.A.'s that fall into (2)(a)(iii) will be recorded in the depletion ledgers as "Reserve". These areas will retain their F.R.I. type designation, however, their ownership code will change from 1 (i.e. Crown Land) to 7 (i.e. Recreational Reserve). In this manner these areas will not form part of the calculated allowable cut base on recalculation. The total no harvest area within each operating plan period will not be used in the calculation of liquidated damages as described in paragraph 20 of the Agreement.

(3) Any alteration or reclassification of M.M.A.'s in the Annual Plan, from that shown in the Operating Plan, will require agreement between the Minister and the Company. Furthermore, no M.M.A. can be reclassified into a withdrawal except;

- (i) Where it's immediate use puts it under the U.C.L. category.
- (ii) Where it is mutually agreed to by the Minister and the Company.
- (iii) Where land becomes alienated for other uses.

(4)(a) M.M.A.'s are established on all known significant shorelands and other areas identified on maps at a scale of 1" - 2 miles provided to the Company before the time of signing of the F.M.A. These M.M.A.'s identified comprise approximately 13.4 percent of the total productive land of the Conifer Working Groups and 22.1 percent of the total productive land of the Hardwood Working Groups.

(b) Additional M.M.A.'s not identified at the time of signing will be delineated as per Section 15(1) during the preparation of the Operating Plan.

(c) If the total area of M.M.A.'s delineated as per Section 4(b) exceeds the product of five times five percent of the A.A.C. of the Conifer Working Group or five times five percent of the A.A.C. of the Hardwood Working Group calculated for the Operating Plan Period, the Minister shall;

- (i) Reduce the area of M.M.A.'s designated in the Operating Plan so that it does not exceed five times 5 percent of the A.A.C. of the Conifer Working Group or five times 5 percent of the A.A.C. of the

Hardwood Working Group, or;

- (11) If requested by the Company, withdraw the area in excess of five times 5 percent of the A.A.C. of the Conifer Working Group or five times 5 percent of the A.A.C. of the Hardwood Working Group according to paragraph 34 of the Agreement. Furthermore, the Company shall be offered the right of first refusal on any wood from any lands so withdrawn.

(c) Where in special instances an individual area of 2.0 ha. or less is restricted from harvest by the Minister for uses other than wood production, the Company shall not request that the area be withdrawn.

(e) Notwithstanding the intent of (4)(c), the Company and the Ministry by mutual agreement may allow substitution areas from one Working Group to another.

(5) For a certain Operating Plan Period, the total M.M.A. area may exceed the specified percentages due to agreed special circumstances, but there must then be reductions to this percent in subsequent Operating Plan Periods so that the percentage agreed to herein is not exceeded over the twenty year agreement period.

(6) The calculation of the area to be designated M.M.A.'s Section 4(b) shall include all areas to be left uncut and cut and shall refer only to areas within stands allocated for harvesting in the current Operating Plan Period.

(7) Where any form of modified cutting is proposed by the Minister within an M.M.A., it shall be at the sole option of the Company to carry out such cutting. If the Company elects not to do such cutting, the Company shall be offered first right of refusal to purchase any volumes of wood harvested from the area.

(8) Compensation for silvicultural treatments which may be required for the M.M.A. and are not set out in Schedule "D" of the Agreement will be negotiated before the Annual Plan is approved.

16. GENERAL

As the initial two years of the agreement is a phase-in period, it is appropriate to define the status of the phase-in components. The phase-in period will effect planting of bare-root and container stock and will follow the schedule as outlined below:

Year	Bare Root Stock				Container Stock			
	Ministry		Company		Ministry		Company	
	%	# of Trees	%	# of Trees	%	# of Trees	%	# of Trees
1. 1984	100	150,000	0	0	80	1,325,000	20	250,000
2. 1985	50	800,000	50	850,000	0	0	100	1,100,000
3. 1986	0	0	100	2,200,000	0	0	100	1,100,000

The location of the areas for both Company and Crown planting during the 2 year Phase-in Period will be mutually decided on and designated in the annual plan.

During this period, the Ministry will be responsible for site preparation of its planting areas and in turn the Company will be responsible for site preparation on their planting areas.

The phase-in period does not apply to the treatment of NSR areas.

As well, any retreatments or tending of areas planted by the Ministry during the phase-in period will become the responsibility of the Company but the Company will be compensated at the rates set out in Schedule "D".

It is also understood that because there is a phase-in period, there will be a gap between area cut over and area regenerated. Further, it is understood that some sites will be untreated and left for natural regeneration. Consequently, the area of total treatment over the period of these ground rules may not balance with the total area cutover.

Unless stated otherwise, in these ground rules, the definitions, methodologies and procedures described in the forest management manual shall apply to the Trout Lake Forest, subject to this agreement. Silvicultural procedures will be the responsibility of the Company. Certification for payment will conform to the guidelines set forth in the forest management manual.

The Company has entered into this agreement to provide for a continuous supply of forest products from the Trout Lake Forest for the Company's mills at Dryden, and to ensure that the Trout Lake Forest is managed to produce successive crops of timber on a sustained yield basis. In keeping with this responsibility, the Company will regenerate areas agreed to in the operating plan. These ground rules apply to the Trout Lake Forest including those parts which are subject to Third Party Licences.

Payments to the Company under paragraph 31 for the construction, re-construction and maintenance of roads on any part of the agreement area which is subject to the third party operations shall, to the extent that such road construction, re-construction and maintenance is performed by the third party and provided that the third party also performs all the

silvicultural treatments required in the approved annual plan on the area subject to third party operations, be paid over to the party by the Company.

The Company will be given first opportunity to cut any timber which may be proposed for harvesting from the areas that are withdrawn from the agreement area and from areas which were part of the Company license and were excluded from the agreement area. If the Company elects not to carry out the cutting, the Company will retain the right of first refusal on any timber that may subsequently be cut from those areas.

Existing and mutually agreed upon wood directives will be honoured under this agreement.

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Marking Group - Spruce (64,097 of the Production Forest Area - All Site Classes)

Page: 11

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
I	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
1. Organic Soil - soils greater than 10 cm of organic material over mineral soil and partially drained	Spruce	Group seed tree, strip (by block or clearcut (logging to be confined to seasons or equipment used to minimize disturbance))	<ul style="list-style-type: none"> - seed tree groups at 80 to 100 m intervals - site prep. and plant (1) - tend if necessary - natural regeneration with or without site prep. (2) (3) 	40%	50% Sp, La	60%
2. Deep Mineral Soil - silts, clays or loams	Spruce or Jack Pine	Clearcut	<ul style="list-style-type: none"> - site prepare as required and plant (1) - tend if necessary 	50%	60% Sp, P1, H	70%
			<ul style="list-style-type: none"> - site prepare and direct seed (2) - tend if necessary 	40%	50% Sp, P1	70%
3. Deep Mineral Soils - Sands, gravels	Spruce or Jack Pine	Clearcut	<ul style="list-style-type: none"> - site prepare and direct seed (2) - tend if necessary 	40%	50% Sp, P1	70%
			<ul style="list-style-type: none"> - site prepare and plant (1) - tend if necessary 	50%	60% Sp, P1, H	70%
4. Shallow Mineral Soil - 10 to 20 cm in depth over bedrock or 50% or more of the area	Spruce or Jack Pine	Clearcut or Seed tree, block or strip (by cut system)	<ul style="list-style-type: none"> - site prepare followed by: natural regen. or direct seeding (2) or planting - tend if necessary 	40%	50% Sp, P1	70%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Marking Group - JACK PINE (26,617 of the Production Forest Area - All Site Classes)

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		REGENERATION STANDARDS		
Soil Texture and Depth	Proposed Marking Group	Method of Harvest	Treatment Description	Min. Stocking to Proposed Marking Group	Min. Stocking to Acceptable Species	Objective Stocking of Marking Group Species
I	II	III	IV	V	VI	VII
1. Deep Mineral Soil Clays, silts, or loams	Jack Pine or Spruce	Clearcut	- site prep. as required for planting (1) - tend II necessary	50%	60% P1, Sp, H	70%
			- site prep. as required and direct seed (2) - tend II necessary	40%	50% Sp, P1	70%
2. Deep Mineral Soil Sand and Gravel	Jack Pine	Clearcut	- site prep. as required for planting (1) - tend II necessary	50%	60% P1, Sp, H	70%
			- site prep. as required and direct seed (2) - tend II necessary - site prep. as required for natural regen. - tend II necessary	40%	50% Sp, P1	70%
3. Deep Mineral Soil Blow Sand	Jack Pine	Clearcut or Block cut	- site prep. as required for planting (1) - tend II necessary	50%	60% P1, Sp, H	70%
			- site prep. as required for natural regen. or direct seeding (2) - tend II necessary	40%	50% Sp, P1	70%
4. Shallow Mineral Soils Soil 10 to 20 cm in depth over bedrock or 50% or more of the area.	Jack Pine or Spruce	Clearcut or Block cut	- site prep. as required for planting (1) - tend II necessary - site prep. as required and direct seed (2) - tend II necessary	40%	50% Sp, P1	70%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Working Group - BALSAM FIR (1.15% of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and depth	Proposed Working Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Working Group Species VII
All Sites	Spruce or Jack Pine	Clearcut	- site prep. as required and plant (1) - tend if necessary	50%	60% Sp, P, M	70%
	Jack Pine	Clearcut	- site prep. as required for direct seeding (2) or natural regeneration - tend if necessary	40%	50% Sp, P	70%
	Balsam Fir	Clearcut	- site prep. followed by natural regen. - leave for natural regen. and advanced growth	--	60% Sp, P, M	70%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGISTRATION STANDARDS

Present Marking Group - POPLAR (5,667 of the Production Forest Area - All Site Classes)

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil Texture and Depth I	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
1. Mineral Soils - loam, silts or clays, with soils 10 cm or greater in depth over bedrock	Poplar	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Po, Sp, Pj, Hf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	60% Sp, Pj, Hf	60%
	Poplar	Clearcut if market available for poplar	- site prepare followed by natural regen or leave for natural regen.	40%	60% Po, Sp, Pj, Hf	70%
	Spruce or Jack Pine	Clearcut if market available for poplar	- site prepare followed by planting (1) - tend if necessary	50%	60% Po, Sp, Pj, Hf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Working Group - POPLAR (5,662 of the Production Forest Area - All Site Classes)

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and depth	Proposed Working Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Working Group Species VII
2. Mineral Soils - sands and gravel with soils 10 cm or greater in depth over bedrock	Poplar	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Po, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	40% Sp, Pj, Bf	60%
	Poplar	Clearcut if market available for poplar	- site prepare followed by natural regen or leave for natural regen.	40%	60% Po, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for poplar	- site prepare followed by planting (1) - tend if necessary	50%	60% Po, Sp, Pj, Bf	60%
	Jack Pine	Clearcut if market available for poplar	- site prepare followed by direct seeding (2) - tend if necessary	40%	60% Po, Sp, Pj, Bf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND DEGENERATION STANDARDS

Present Stocking Group - WHITE BIRCH (0.472 of the Production Forest Area - All 5th to Classes)

Page: 18

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and depth I	Proposed Working Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Working Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Working Group Species VII
1. Mineral Soils - loam, silts or clays, with soils 10 or greater in depth over bedrock	W. Birch	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj (14) - tend if necessary	--	60% Bw, Sp, Pj, Rf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or Pj - tend if necessary	--	40% Sp, Pj, Rf	60%
	W. Birch	Clearcut if market available for W. Birch	- site prepare followed by natural regen or leave for natural regen.	40%	60% Bw, Sp, Pj, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for W. Birch	- site prepare followed by planting (1) - tend if necessary	50%	60% Bw, Sp, Pj, Rf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGENERATION STANDARDS

Present Marking Group - WHITE BIRCH (0.5% of the Production Forest Area - All Site Classes)

Page: 19

SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Soil texture and Depth I	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
2. Mineral Soils - sand and gravels with soils 10 cm or greater in depth over bedrock	W. Birch	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or P1 (15) - tend if necessary	--	60% Bw, Sp, P1, Bf	70%
	Spruce or Jack Pine	Partial cut if original stand is greater than or equal to 40% stocked to conifer	- site prepare followed by planting of Sp or P1 - tend if necessary	--	40% Sp, P1, Bf	40%
	W. Birch	Clearcut if market available for W. Birch	- site prepare followed by natural regen or leave for natural regen.	40%	60% Bw, Sp, P1, Bf	70%
	Spruce or Jack Pine	Clearcut if market available for W. Birch	- site prepare followed by planting (1) - tend if necessary	50%	60% Bw, Sp, P1, Bf	60%
	Jack Pine	Clearcut if market available for poplar	- site prepare followed by direct seeding (2) - tend if necessary	40%	60% Bw, Sp, P1, Bf	60%

TABLE 1 - SILVICULTURAL SPECIFICATIONS AND REGISTRATION STANDARDS

Present Marking Group - All Fueler Marking Groups

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SITE DESCRIPTION		SILVICULTURAL PRESCRIPTION		STOCKING STANDARDS		
Site Feature and Depth	Proposed Marking Group II	Method of Harvest III	Treatment Description IV	Min. Stocking to Proposed Marking Group V	Min. Stocking to Acceptable Species VI	Objective Stocking of Marking Group Species VII
1. Mineral soil less than 10 cm in depth over bedrock on 50% or more of the area	Jack Pine or Spruce	Seed tree system or block cut or strip (h) cut	<ul style="list-style-type: none"> - natural seeding - site prepare followed by natural seeding or direct seeding 	--	40% P1, Sp	60%
2. Areas with excessive amounts of large boulders (boulder pavement areas with large boulders)			<ul style="list-style-type: none"> - site prepare followed by planting - tend if necessary 	40%	50% P1, Sp, M	60%
3. Areas with slopes 60% or greater						

FOOTNOTES: TO TABLE 1

1. Planting of bareroot or container stock will be to a minimum of 1,700 trees per hectare and a maximum of 2,800 trees per hectare.
2. Aerial seeding using viable jack pine seed at a rate of approximately 50,000 seed per hectare or seed with site preparation, unless otherwise agreed to in the annual plan.
3. When underplanting in poplar or white birch stands is undertaken, the planting objective will be 750 trees to 2,800 trees per hectare.
4. When planting of red pine on shoreline reserves where the site is suitable the objective will be 1,330 trees per hectare.
5. The Proposed Working Group will be determined at the time of the Annual Plan. The Actual Working Group will be determined at time of assessment.
6. Satisfactory seed source is defined as a cone-bearing windfirm, well stocked (minimum 50% stocked) healthy block of trees which is a maximum distance of 120 metres from the adjacent cutover.
7. T.P.H. indicates trees per hectare, evenly distributed.
8. Species abbreviations are as follows:

Pj - Jack Pine	Sp - Black or White Spruce	Po - Poplar
Pw - White Pine	Bf - Balsam Fir	Bw - White Birch
Pr - Red Pine	La - Larch	
9. The minimum stocking level will be satisfied by meeting the conditions of Column V, or Column VI.
10. Balsam Fir may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
11. Poplar may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
12. White Birch may contribute not more than 10% of the minimum stocking to acceptable species unless indicated as the proposed working group species.
13. Prescribed burning may be substituted for mechanical site preparation where appropriate and when approved by the Minister.
14. When partial cutting of Poplar and White Birch stands is undertaken the Company agrees to maintain, as a minimum, the conifer component at its original stocking level.
15. Return Cut The time to attain the free-to-grow condition is the maximum period between cuts.

TABLE 2

STANDARDS FOR CONTAINER STOCK

Species: Black Spruce (Spencer Lemaire - Ferdinand Books)

	<u>Minimum</u>	<u>Optimum</u>
Stem Height (cm)	10	15
Oven-Dry Weight (mg)	300	500
Tray Stock #	75	100
Root/Shoot Ratio		2 - 3: 1

Species: Jack Pine

	<u>Minimum</u>	<u>Optimum</u>
Stem Height (cm)	10	15
Oven-Dry Weight (mg)	300	500
Tray Stocking #	75	100
Root/Shoot Ratio		2 - 3: 1

TABLE 3

NURSERY STOCK STANDARDS

SIZE CLASSES	SMALL		MEDIUM	
	Mean	Range	Mean	Range
JACK PINE 2-0				
Height (cm)			18	13 - 20
RCD (mm)			3.4	3.1 - 3.7
Total Oven Dry Weight (g)			4.0	3.0 - 5.0
Shoot/Root Ratio (ODW)			3.0	2.0 - 4.0
BLACK SPRUCE 2-1				
Height (cm)	18	13 - 22		
RCD (mm)	3.0	2.6 - 3.4		
Total Oven Dry Weight (g)	2.0	1.1 - 2.9		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		
WHITE SPRUCE 2-1				
Height (cm)	15	13 - 17		
RCD (mm)	3.3	3.0 - 3.6		
Total Oven Dry Weight (g)	3.0	2.6 - 3.4		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		
RED PINE 3-0				
Height (cm)	15	13 - 17		
RCD (mm)	4.0	3.0 - 5.0		
Total Oven Dry Weight (g)	4.0	4.0 - 5.0		
Shoot/Root Ratio (ODW)	3.0	2.0 - 4.0		

SCHEDULE E

GREAT LAKES FOREST PRODUCTS LIMITED

DRYDEN WOODLANDS OPERATIONS

TROUT LAKE FOREST

PROPOSED FMA ROAD SPECIFICATIONS

SPECIFICATION	PRIMARY ROAD	SECONDARY ROAD
Right of way cleared	30 - 45 metres	25 - 30 metres
Lane width	3.5 - 4.5 metres	2.5 - 3 metres
Shoulder width	0.6 metres	0.6 metres
TOTAL ROAD WIDTH (shoulder to shoulder)	8.5 - 10 metres	6 - 7 metres
CROWN:		
Elevation if smooth	2.1 cm/metre	2.1 cm/metre
Elevation if rough	4.2 cm/metre	4.2 cm/metre
Maximum horizontal degrees curvature	10 - 15 degrees	15 - 20
Minimum passing sight	90 - 150 metres	90 metres
Maximum sustained grade	6 degrees	9 degrees
Gravel depth	15 cms.	10 cms.
BRIDGES, single lane span	68,000 kg.	68,000 kg.
Life Expectancy	10 years	5 years



Resource Development Council

for Alaska, Inc.

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February 18, 1986

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Representative Dick Shultz
Alaska House of Representatives
Pouch V
Juneau, AK 99811

re: HB 570, Forest Management Agreement legislation

Dear Dick:

The Resource Development Council strongly supports the forest management concepts embodied in HB 570. We feel this approach to forest land management is the best opportunity we have to develop a significant and sustained forest products industry in Interior and Southcentral Alaska.

The Alaska Constitution clearly states the direction intended for the utilization of state resources, especially renewable resources such as wood. Article Eight stridently mandates "sustained yield." RDC supports HB 570 because it enables the state to work toward the goals clearly established in the Constitution.

The state is presently allowing only a small fraction of our sustained yield to be harvested. The state owns the majority of the commercial timber land in the Interior and we still can't seem to get enough wood on the market to sustain anything other than small, regional operations.

We perceive three main problems with the state's management of its timber resources. These problems are not rooted in any specific legislative act or administrative agency--they have developed over time. They were not necessarily designed to throttle the timber industry although that is certainly the effect.

The first is the lack of a commercial forest land base dedicated to timber management. The land classification process of the last few years has systematically removed millions of acres of timber land from the timber base. One answer to this problem has been to create state forests, but the forests which have been created to date, especially Haines, are not being managed for timber harvesting at anything close to their potential. The forest products industry has no faith in the ability of this or future administrations to withstand pressure to mandate preservation over timber harvesting and other forest uses on state forests as they presently exist.

The second problem is the system the state has developed

Representative Dick Shultz
February 18, 1986
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for selling timber. The system we have now, similar to that used by the US Forest Service and other states, is labor intensive and very inefficient. It takes far too many government manhours to sell a reasonable amount of state timber under the present system. Given the necessity to cut state spending, we must find a way to sell timber more efficiently without threatening the state's interests.

The third problem is reforestation. Right now it isn't happening at anything close to reasonable levels. This is an alarming situation that the legislature must address. The key to the management of timber as a renewable resource is making sure that the resource is renewed. This isn't happening and it is basically because we are not paying for it.

There are a number of problems facing the forest products industry throughout Alaska including permitting, stumpage, processing requirements, loans and many others. HB 570 is designed to address the basic problems facing development of a forest products industry on state land in the Interior and Southcentral regions.

To resolve these problems we believe the state should implement a process used with success in the Canadian Province of Ontario. Ontario uses a system of Forest Management Agreements (FMAs) to contract forest management including harvesting, road building and reforestation to private contractors. FMAs replace the policing duties of the government with contractual agreements beneficial to the state and the contractor. The contracts contain stiff penalties for poor performance and incentives to stimulate good performance.

The greatest reported gain from the FMAs is the integration of timber harvesting with regeneration, which is proving successful, and providing larger annual timber harvests for the future. Ontario officials tell us this program has been successful because the private operator now has a vested interest and incentive to regrow the forest.

Ontario FMAs contain what is known as an "evergreen" clause. The basic contracts are for 20 years, but after each five-year period the results of private harvesting and regeneration are evaluated by the government, and if standards are met, the contract is given a five-year extension. The FMAs are beneficial to operators because there is always a 20 year supply of timber ahead if the logging and reforestation are meeting the goals set in the original agreement.

The FMAs save the government of Ontario a lot of money. Government no longer has to preplan and lay out detailed timber sales. The government no longer acts as "policemen" to enforce a myriad of contradictory regulations.

Representative Dick Shultz
February 18, 1986
page 3

The results in Ontario have been overwhelmingly positive. More timber is cut, more jobs are generated, public use of the forests is increased, more timber is being generated for the future and less money is spent by government to oversee the process.

This process does not lessen the control of the state over its lands. It obligates the operators to meet the forest management goals set in the contracts. The operator manages for habitat, recreation, timber harvesting, roading and reforestation. The standards and requirements are written in the FMA along with penalties and incentives.

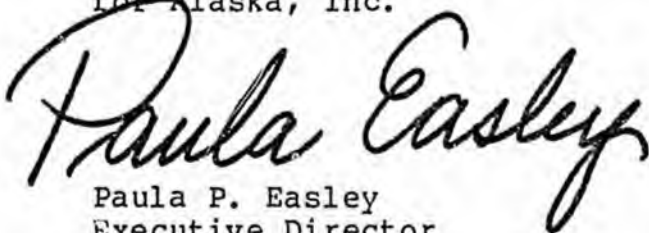
Alaska has roughly one-third the forest land base of Ontario and Ontario generates more than 80,000 jobs. If we develop our industry to the extent Ontario has we could have more than 25,000 people employed in the forest products industry in Alaska.

HB 570 gives the Department of Natural Resources the statutory mandate to initiate agreements such as those used with great success in Ontario. It also mandates development of an agreement for 200,000 acres of non-coastal, state commercial forest land. Under HB 570, DNR will have the authority to negotiate an agreement which protects the state's financial and land use interests.

RDC believes that FMAs are the best vehicle available to Alaska as we attempt to utilize our massive timber resources for the development of revenue, jobs and economic activity throughout the state. We encourage you to support HB 570 in the House Resources Committee.

Thank you for your consideration.

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.



Paula P. Easley
Executive Director

cc: Members, House Resources Committee
Representative Robin Taylor
Representative John Ringstad
Representative Steve Frank
Representative Roger Jenkins
John Galea, Alaska Loggers Association
Phil Holdsworth, RDC Juneau Representative

Dick - It was wonderful having you at the conference. Am sending you some pertinent speeches when typed.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99811
907.465-3800


LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

March 7, 1986

SUBJECT: State forest management
(SSHB 570)

TO: Representative Richard Shultz
Chair, House Resources Committee

FROM: Richard A. Bradley 
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 of the bill adds a new Sec 38.05.122 to AS 38.05 at article 4 (disposal of timber and materials).

Sec. 122(a) provides that, notwithstanding the existing provisions of article 4 (AS 28.05.110 - 38.05.120), the commissioner of natural resources may "enter into an agreement with a person for the management on a sustained-yield basis of state forest land and state land commercially valuable for forest development." The consultation with other state agencies by the commissioner is permitted.

Sec. 122(b) provides that the commissioner shall establish the terms of the agreement that will set out the "silvicultural specifications" that govern the "harvest, regeneration, and management of state land".

Sec. 122(c) outlines matters that may be included in the contract.

Representative Richard Shultz

Page 2

March 7, 1986

Sec. 122(d) requires the commissioner to provide the legislature with copies of agreements entered into as well as a report on the areas of the state that are "harvested, regenerated, and managed" under an agreement during the preceding calendar year.

Section 2(a) of the bill directs the commissioner to request proposals for the management of 200,000 acres of commercial forest land of the state under AS 38.05.122 as enacted in section 1 of the Act. Times within which the commissioner is directed to act are established.

Section 2(b) contains the required provisions of the agreement required under sec. 2(a).

Section 2(c) establishes the standards under which the proposals invited will be considered.

There is no effective date clause; it will, therefore, take effect 90 days after enactment. AS 01.10.070(c).

If I may be of further assistance, please advise.

RAB:mkr
m3/140

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

March 10, 1986

The Honorable Adelheid Herrmann
Co-Chair, House Resources Committee
F.O. Box V
Juneau, AK 99811

Dear Representative Herrmann:

As your request, the Department of Natural Resources has reviewed SSHB 570, a bill relating to agreements with private parties for the management of state-owned commercial forest land. While we find the idea of private management of public land deserving of further consideration, we think clarification of some issues is required.

First, it is not apparent why this new system of forest management would be preferable to our current system of long term timber sales, or how this new system would differ from current practices.

Next, how would this new system accommodate the need for multiple use of forest land?

Also, we have assumed that the Department is not responsible for building or maintaining roads under this new system. If this assumption is incorrect, the zero fiscal not we provided would need to be revised.

We have other questions that need to be addressed, and would be interested in learning about the experiences of other states involved in this type of timber management program. We believe this to be an idea worth exploring and, in fact, have already studied, in a limited fashion, the Canadian timber leasing program. We would be happy to work with the sponsors and the Committee to further develop this idea.

Sincerely,

Esther C. Wunnicke
R Esther C. Wunnicke
Commissioner

cc: House Resources Committee
Bill Sponsors

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No SSHB 570
 Title : ...State Forest Management.

Sponsor : Rep. Taylor, et al
 Requestor : House Resources
 Date of Request : 03-06-86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Forest Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Jim McAllister *RM*
 Division : Forestry

Phone : 465-2491
 Date : 03-07-86

Approved by Commissioner : *Wm D. Amey, Deputy*
 Agency : Natural Resources

Date : 3/10/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
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- Requestor
- Office of Management and Budget
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