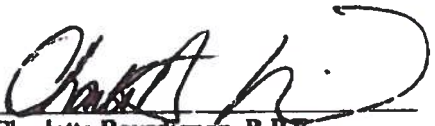


Kenogami Forest
2005-2010 Independent Forest Audit

MANAGEMENT UNIT
ACTION PLAN


KENOGAMI FOREST 2005-2010 INDEPENDENT FOREST AUDIT
Action Plan Submission Signature Page

Prepared by:


Charlotte Bourdignon, R.P.F.
Area Forester
MNR, Geraldton Area, Nipigon District

Date: Aug 28, 2012

Reviewed by:


Chris Magee
Area Supervisor
MNR, Nipigon District

Date: Aug 29, 2012

Submitted by:


Kim Groenendyk
District Manager
MNR, Nipigon District

Date: Aug 30/12

KENOGAMI FOREST 2005-2010 INDEPENDENT FOREST AUDIT

Action Plan Endorsement & Approval Signature Page

Endorsed by:



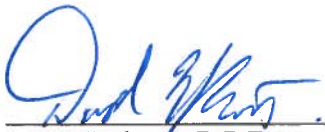
Allan Willcocks, R.P.F.
Regional Director
MNR, Northwest Region

Date: Sept 6/12



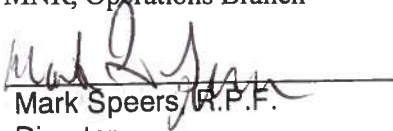
Chris Walsh, R.P.F.
Director
MNR, Forests Branch

Date: Sept 14, 2012



Dave Hayhurst, R.P.F.
Director
MNR, Operations Branch

Date: Sept 14/12



Mark Speers, R.P.F.
Director,
MNR, Forest Tenure & Economics Branch

Date: Sept 20/12



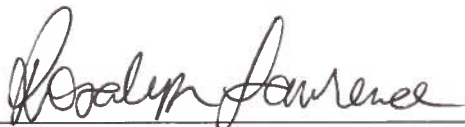
Carrie Hayward
A/Assistant Deputy Minister
MNR, Regional Operations Division

Date: October 2, 2012



Kathleen McFadden
A/Assistant Deputy Minister
MNR, Forestry Division

Date: Sept 25/12



Rosalyn Lawrence
Assistant Deputy Minister
MNR, Policy Division

Date: Oct. 4/12

**KENOGAMI FOREST
2005-2010 INDEPENDENT FOREST AUDIT
ACTION PLAN**

An Independent Forest Audit (IFA) was conducted on the Kenogami Forest by Arbex Forest Resource Consultants Ltd. for the period April 1, 2005 to March 31, 2010. The final audit report was received February 3, 2011 and the action plan was due April 3, 2011.

The final audit report for the Kenogami Forest included 13 recommendations. Those recommendations directed at corporate MNR (R#7 and #13) and the licence extension recommendation were addressed in the separate 2010 Provincial Action Plan. For each management unit audit recommendation this action plan outlines the actions required, responsibility, timelines, and method of tracking progress of actions.

The Kenogami Forest was previously managed under Sustainable Forest Licence (SFL) #542256 and therefore specific audit recommendations were directed at the SFL holder (Terrace Bay Pulp Inc. - TBPI). The SFL was returned to the Crown on August 1, 2012 and the Kenogami Forest is now a Crown Management Unit. A draft action plan had been prepared by MNR and the SFL's service provider GreenForest Management Inc. (GFMI) but it was not finalized prior to the return of the SFL to the Crown. The draft action plan has subsequently been revised and finalized to reflect MNR as the forest manager, however, as can be seen by the completion dates certain actions had actually been completed by the service provider prior to return of the SFL to the Crown. Where this has occurred responsibility identifies the SFL service provider.

Recommendations 9, 10 and 11 include reference to the Ministry of Northern Development Mines and Forestry (MNDMF). Since the audit was completed Forestry Division is no longer part of MNDMF as the Division was reorganized back into the MNR. Therefore MNDMF is not included under organization and position responsible for these audit recommendations.

The 2011-2021 Forest Management Plan (FMP) was not approved for April 1, 2011, however the final FMP was submitted March 13, 2012. Therefore some action required timelines for the 2011 FMP reflect timelines for a FMP that was approved April 20, 2012.

RECOMMENDATION #1:

In SFMM modeling for the 2011 FMP, the SFL Holder should ensure:

- 1) all areas have silvicultural intensity codes consistent with the latest FIM technical specifications,*
- 2) the accurate depiction of FTG and non-FTG areas,*
- 3) a rationale is provided for FTG assumptions,*
- 4) the modeled and FMP reported areas match,*
- 5) patent lands are excluded from SFMM modeling and are not contributing to the achievement of plan objectives.*

Action required:

1. *For listed recommendation items 1), 2), 4) & 5):* The silvicultural intensity codes applied in the planning database and used in strategic modeling for the 2011-2021 FMP are in accordance with the FIM Technical specifications used at the time of database preparation. SFMMTool/MIST was used as part of database preparation. The 2011-2021 FMP Analysis Package describes the silvicultural intensities used and the forest development stages used to calculate the silvicultural intensities. The strategic model for the 2011-2021 FMP accurately depicts FTG & non-FTG areas in accordance with MNR training for strategic modeling. Forest areas in the strategic model and the FMP tables match. Patent lands are excluded from the strategic model and only Crown land contributes to FMP objective achievement.
2. *For listed recommendation item 3):* Rationale for FTG assumptions is included in the 2011-2021 FMP Analysis Package.

Organization & position responsible:

1. Prior to return of the SFL to the Crown, the SFL service provider Plan Author.
2. Prior to return of the SFL to the Crown, the SFL service provider Plan Author.

Deadline date:

1. Completed: 2011-2021 FMP Planning Inventory and Base Model planning process checkpoints obtained on October 1, 2008 and May 6, 2009, respectively. MNR Regional Director's endorsement for the Long-Term Management Direction obtained November 3, 2010; April 20, 2012: Analysis package in final approved FMP.
2. Completed April 20, 2012.

Method of tracking progress:

1. Kenogami Forest 2011-2021 FMP Analysis Package.
2. Kenogami Forest approved 2011-2021 FMP Analysis Package.

RECOMMENDATION #2:

For the 2011 FMP, the planning team should concentrate socio-economic analysis efforts more directly on the effects of forest management activities.

Actions required:

1. As differences in harvest volumes in the 2011 Kenogami FMP did not significantly vary from those volumes in the 2005 Kenogami FMP, there was no requirement to utilize the Socio-Economic Impact Model (SEIM) and its associated various reports. Therefore the socio-economic assessment for the 2011-2021 FMP followed the requirements outlined in the *Forest Management Planning Manual* (2009). The 2011-2021 FMP assessment identified the expected social and economic impacts of implementing the long term management direction. The assessment examined how the quantity of timber supplied to wood-processing facilities, and the silvicultural investment requirements, may affect communities, forest resource processing facilities, and the primary users of the forest identified in the social and economic description.

Organization & position responsible:

1. MNR Geraldton Area, Nipigon District Area Forester.

Deadline date:

1. Completed April 20, 2012.

Method of tracking progress:

1. Socio-economic assessment in Section 3.6.4 of the approved Kenogami Forest 2011-2021 FMP.

RECOMMENDATION #3:

The SFL holder must ensure that qualified staff/contractors supervise tree planting operations and that the level of supervision is sufficient to ensure the delivery of a high quality tree planting program.

Actions required:

1. The SFL holder will ensure that individuals assigned to tree plant supervision duties are mentored by experienced supervisors and receive the practical training needed to manage and supervise tree planting projects.
2. The SFL holder will ensure that the level of supervision is sufficient to ensure the delivery of the annual tree planting program based on project size and its complexity.

Organization & position responsible:

1. Prior to return of the SFL to the Crown, the SFL service provider Planning Forester.
2. Prior to return of the SFL to the Crown, the SFL service provider Planning Forester.

Deadline date:

1. Completed 2011 tree planting season.
2. Completed 2011 tree planting season.

Method of tracking progress:

1. Training records, records of experienced supervisors.
2. Records of supervision level for each project.

RECOMMENDATION #4:

The SFL holder must correct invoicing errors in the Forest Roads and Maintenance Agreement Activity Summary and Final Report.

Actions required:

1. The SFL holder has modified its method of reporting road construction for the purposes of the Provincial roads funding program, consistent with the definition of construction contained in the Road Construction and Maintenance Agreement. The *Forest Roads and Maintenance Agreement Activity Summary and Final Report* for the 2008-2009 fiscal year was corrected and re-submitted to the MNR Nipigon District Geraldton Area Office.

Organization & position responsible:

1. Prior to return of the SFL to the Crown, the SFL service provider Planning Forester.

Deadline date:

1. Completed March 29, 2011.

Method of tracking progress:

1. Corrected *Forest Roads and Maintenance Agreement Activity Summary and Final Report* for the 2008-2009 fiscal year.

RECOMMENDATION #5:

The SFL holder should develop and implement a formal roads monitoring/tracking program.

Actions required:

1. A formal road/water crossing monitoring program was developed for the Kenogami Forest 2011-2012 Contingency Plan in accordance with the *Forest Management Planning Manual (2009)*.
2. This formal road/water crossing monitoring program developed in Action #1 above was expanded upon and included in the Kenogami Forest 2011-2021 Forest Management Plan (FMP) in accordance with the *Forest Management Planning Manual (2009)*.
3. The SFL developed a formalized tracking program to support road/water crossing monitoring for SFL responsibility roads, to preempt environmental and safety issues, and to support FMP annual reporting requirements. This program, the *Forest Access Monitoring Tracking (FAMT)* program will be implemented on an annual basis, and it differs from the road and water crossing monitoring program in the FMP (Action #2) in that it assigns staff responsibility for the tracking of monitoring activities; it defines a process for assessing priority of monitoring in accordance with the monitoring frequency schedule outlined in the FMP; and it facilitates record keeping to support the preparation of the annual report. The FAMT program will consist of:
 - Instructions to staff/contractors as to the purpose of road access and water crossing monitoring and tracking and the procedures for documenting observations and ensuring Corrective/Preventive Action Reports (CAR/PARs) or compliance inspection reports are completed when needed;
 - Create and post in key locations, maps illustrating all roads/road networks to be monitored as identified in the Annual Work Schedule and accompanying tracking forms for staff/contractors to document their observations or those of others (e.g. public/MNR);
 - The assignment of a lead individual (Forest Access Monitoring Tracking Coordinator) to:
 - manage the tracking program and be the primary contact for questions/concerns;
 - regularly review the road monitoring documentation to ensure that entries are complete;
 - identify to staff any priority roads/road networks areas that require monitoring and documentation of observations prior to year end;
 - ensure that the report entries are entered into a digital database for use in annual reporting;
 - as needed, make improvements to the tracking program methodology;
 - ensure that the hard copy reports are maintained in good order and archived accordingly; and
 - make improvements to the tracking program methodology as needed.

Organization & position responsible:

1. Prior to return of the SFL to the Crown, the SFL service provider Plan Author.
2. Prior to return of the SFL to the Crown, the SFL service provider Plan Author.
3. Prior to return of the SFL to the Crown, the SFL service provider FAMT Coordinator.

Deadline date:

1. Completed March 10, 2011.
2. Completed April 20, 2012.
3. Completed FAMT program developed April 15, 2011, Completed 2011-12 AWS implementation.

Method of tracking progress:

1. Kenogami Forest 2011-2012 Contingency Plan.
2. Kenogami Forest approved 2011-2021 FMP.
3. Documentation for Forest Access Monitoring Tracking (FAMT) program.

RECOMMENDATION #6:

District OMNR and the SFL holder should review FTG survey methodologies to address data discrepancies related to silvicultural success and stocking achievement.

Actions required:

1. The SFL, in consultation with MNR, reviewed and updated its FTG survey methodologies such that data collected is consistent with that required to determine regeneration/silvicultural success in accordance with prescribed Silviculture Ground Rules (SGRs) in the 2011-2021 FMP. This action will ensure the SFL holder and MNR assess regeneration in accordance with the SGRs in a similar fashion.
2. The forest unit definitions and regeneration standards used for the determination of regeneration/silvicultural success from FTG assessments in Annual Reports will be in accordance with the current FMP. This action will ensure that both the FTG assessor and MNR FTG monitoring are assessing silviculture success to the same standard.
3. During implementation of the 2011-2021 FMP, the FTG assessors and MNR FTG monitors will meet annually to review and compare their respective silviculture survey results. If there are still notable discrepancies in the survey results the reasons for the differences will be investigated and adjustments made to the survey methodology to address the discrepancies. The approved 2011-2021 FMP FTG methodology will be amended if required.

Organization & position responsible:

1. This action was completed by the SFL service provider Plan Author & MNR Geraldton Area, Nipigon District Area Forester prior to return of the SFL to the Crown.
2. MNR Geraldton Area, Nipigon District Area Forester.
3. MNR Geraldton Area, Nipigon District Area Forester.

Deadline date:

1. Completed April 20, 2012.
2. Annual Reports November 15 annually, beginning with the 2011-2012 Annual Report due Nov 15, 2012.
3. May annually beginning in 2012.

Method of tracking progress:

1. Kenogami Forest approved 2011-2021 FMP.
2. Annual Reports.
3. Records of FTG assessors and MNR SEM review meeting, records of any adjustments to survey methodology/FMP amendment if required.

RECOMMENDATION #8:

The SFL holder and the OMNR must address the backlog area requiring free-to-grow survey and the SFL must complete the survey of Z category lands.

Actions required:

1. The Kenogami Forest SFL# 542256 Section 16 Silviculture Standards does not include Class Z lands as referred to in the audit recommendation. Using the 2005 MNR-approved Forest Resource Inventory, the SFL reviewed the status of the 253 hectares of Class Z lands referred to in the IFA Report, and ascertained whether the area was Free-to-Grow (FTG) or will remain as Barren and Scattered (B&S). Of the 253 hectares, 218 hectares have been photo-interpreted as FTG; 28 hectares have been photo-interpreted as open muskeg (swamp); and 7 hectares are low-stocked B&S.
2. The status of the 253 hectares will be reported in the Annual Report.
3. Survey/assess the 37,472 hectares of backlog and maintain a record of the status of this area. Any FTG areas will be reported in the applicable Annual Report.
4. MNR to review backlog FTG survey areas associated with natural disturbance (27,471 hectares), and where feasible, determine the merits of including those areas within the District SEM program or waiting for the next Forest Resource Inventory (FRI) update.

Organization & position responsible:

1. Prior to return of the SFL to the Crown, the SFL service provider Renewal Manager.
2. MNR Geraldton Area, Nipigon District Area Forester.
3. MNR Geraldton Area, Nipigon District Area Forester.
4. MNR Geraldton Area, Nipigon District Area Forester

Deadline date:

1. Completed November 30, 2011.
2. 2011-12 Annual Report due November 15, 2012.
3. Surveys beginning 2011 and completed by March 31, 2014; Annual Reports November 15, 2012 until November 15, 2014 as applicable.
4. March 31, 2012 (completed) and March 31, 2013; FRI update projected by 2015.

Method of tracking progress:

1. FTG assessment records; FRI records.
2. Annual Report.
3. Survey records, Annual Reports.
4. Annual District SEM reports, next FRI project.

RECOMMENDATION #9:

The District OMNR should work with MNDMF to develop and implement an effective system to track and monitor the status of payment of Crown dues on unutilized or non-marketed harvested wood to ensure that required Trust and Crown dues payments are made.

Actions required:

1. These actions are planned to prevent future incidences of unutilized or non-marketed harvested wood and were developed in consultation with the MNR Operations Branch NWR Wood Measurement Coordinator. Should unplanned incidences occur these actions are intended to ensure required Trust and Crown dues payments are made. Once the volumes are reported to the MNR billing system, the status of payment of the associated Trust and Crown dues will be tracked and monitored through the MNR billing system.
 - a. MNR will issue Forest Resource Licences (FRLs) and Approvals for future harvest areas based on the following considerations:
 - actions that will be taken by the licensee to facilitate avoidance of unutilized and unmarketable wood;
 - FRLs and/or Approvals will be restricted to a size that provides the MNR with confidence that licensees are following actions 2b below;
 - MNR will ensure the actions outlined in action 2b are being upheld during the term of the FRL and/or Approval prior to issue of subsequent FRLs and/or Approvals.
 - b. MNR will ensure the following is discussed at start up meetings with overlapping FRLs &/or FRLs including/as well as with scaling and compliance staff and will monitor implementation:
 - harvested unmarketable wood built into roads will have the volume accounted/reported for according to the Northwest Region Provincial Measurement Unit Directive Regarding: *Reporting Forest Resources Used for Corduroy*, March 31, 2008;
 - all harvested wood will be either hauled and weigh scaled, or scaled on-site and the volume reported to MNR NWR Wood Measurement Unit, prior to a completed harvest report being submitted into the FOIP system. As such, unscaled wood remaining in a harvest block will be considered an operational issue requiring follow up action to ensure the wood is scaled.

Organization & position responsible:

1a. & b. MNR Geraldton Area, Nipigon District Area Forester.

Deadline date:

1a. & b. Beginning September 2012 and ongoing.

Method of tracking progress:

1a. & b. FRLs, Approvals, records of discussions, scaling records, FOIP reports.

RECOMMENDATION #10:

The SFL and the District OMNR/MNDMF need to determine what portion of the unutilized Neenah Paper wood is marketable and agree on a strategy for its utilization within six months of the submission of the Audit Report.

Actions required:

1. The MNR Nipigon District Manager issued a letter December 5, 2010 to the Buchanan Group of Companies and the SFL holder Terrace Bay Pulp Inc. (TBPI) requiring the remaining former Neenah Paper bush inventory that was transferred to TBPI to be moved by March 31, 2011, after which time all options under the Crown Forest Sustainability Act would be considered including collection of stumpage costs. No actions to move the remaining wood have occurred and MNR has taken no further action to date. Approximately 30,000 m³ of poplar bush inventory remains unutilized. It is not expected this wood can be utilized due to the length of time that has past since it was harvested (since the SFL was transferred from Neenah in August 2006, the wood is at least 6 years old) and the resulting deteriorated state of this wood (e.g. none will even be suitable for hogging any more). Approximately 15,000 m³ of conifer bush inventory remains unutilized and may still be marketable. The mill in Terrace Bay has taken conifer up to 9 years old previously.

TBPI emerged from CCAA protection in September 2010, but again applied for and was granted CCAA protection effective January 25, 2012. Pursuant to that process, a sale of the TBPI assets associated with the pulp manufacturing process is being undertaken. Since emerging from CCAA protection in September 2010, the pulp mill operated until November 30, 2011 (although they were closed for ~40 days in October 2011 due to an explosion at the mill). These factors have greatly limited the ability of TBPI to utilize any wood that might be marketable. Potential options for the utilization of the conifer (e.g. biofuel) will be pursued in consideration of the December 5, 2010 letter issued by MNR referred to above and practicality of markets.

Organization & position responsible:

1. MNR Geraldton Area, Nipigon District Area Forester.

Deadline date:

1. Completed letter Dec 5, 2010 & ongoing.

Method of tracking progress:

1. MNR letter issued December 5, 2010 to the Buchanan Group of Companies and the SFL holder Terrace Bay Pulp Inc. The status report will document further actions taken.

RECOMMENDATION #11:

The SFL holder work with the OMNR/MNDMF to develop a plan within six months of the submission of the Audit Report for the payment of Forestry Futures Trust, Ontario Crown Dues and Forest Renewal Trust payments which are outstanding as of March 31, 2011.

Actions required:

1. MNR worked with the SFL Holder to sign and implement a stumpage repayment agreement on September 15, 2010, to cover the payment of outstanding Crown charges including: Forest Renewal Trust charges, Forestry Futures Trust charges and stumpage. As part of this agreement, a significant lump sum payment was made toward outstanding Crown charges due at the time of signing. The other provisions of the agreement continued until the companies involved entered bankruptcy, receivership or CCAA protection.

Organization & position responsible:

1. MNR, Forestry Division, Assistant Deputy Minister.

Deadline date:

1. Agreement to begin September 15, 2010 and end September 15, 2014 – 4 years. Provisions of the agreement continued until the companies involved entered bankruptcy, receivership or CCAA protection (refer to R#10 regarding Terrace Bay Pulp Inc.).

Method of tracking progress:

1. Agreement, records of payments.

RECOMMENDATION #12:

The SFL holder and the District OMNR must ensure the Action Plan and Status Report responding to the IFA recommendations are submitted in accordance with the reporting timeline specified in the IFAPP.

Actions required:

1. The MNR District Manager did not submit the action plan by April 3, 2011 as required. An action plan preparation and review schedule was developed by the SFL service provider and submitted to the District Manager Feb 15, 2011. However, the MNR District, Region and Forests Branch needed to be involved in development of this schedule as the action plan required MNR input and review prior to District Manager submission of the action plan. The SFL service provider and MNR District produced a draft action plan by May 2011 however it was not provided to the MNR Northwest Region until March 2012. The service provider, MNR District and MNR Region meet on April 5, 2012 to review and complete the action plan for MNR Forests Branch and District Manager review. The action plan was reviewed in April 2012 and a follow-up conference call was scheduled May 14, 2012 with MNR District, Region and the service provider to finalize the action plan. The conference call was cancelled by the service provider that day and information MNR needed to revise the action plan was subsequently provided by the service provider June 26, 2012. Revisions to the action plan were being made by MNR however the potential sale of Terrace Bay Pulp Inc. was announced July 5, 2012 after which no further work on the SFL/MNR action plan occurred. The action plan was subsequently revised by MNR after the SFL was returned to the Crown August 1, 2012 resulting in this final action plan.
2. The MNR District, MNR Regional and Forest Branch representatives will determine a schedule for production, review and endorsement of the Status Report prior to the due date and work together to ensure the development of the Status Report follows the agreed upon schedule.

Organization & position responsible:

1. MNR Geraldton Area Nipigon District Area Forester, District Manager.
2. MNR Geraldton Area Nipigon District Area Forester, MNR Northwest Region Forest Program Specialist, MNR Forests Branch Provincial Evaluation and Reporting Forester.

Deadline date:

1. Not Completed: Action Plan submission by District Manager April 3, 2011. The actual submission date is documented on the action plan submission signature page.
2. Prior to due date of Status Report (within two years of approval of Action Plan or as otherwise requested by MNR Forests Branch).

Method of tracking progress:

1. Initial action plan preparation/review schedule, draft action plan, records of April 5, 2012 meeting, action plan submitted for review, date of actual action plan submission by District Manager on page 'i' of this action plan.
2. Record of internal schedule; records of status report development including any meetings, discussions. Submission of Status Report.