

Nawiinginokiima Forest Management Corporation

AGENCY BUSINESS PLAN

for the period

2015/16, 2016/17 and 2017/18

Confidential

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AGENCY Business Plan

Table of Contents

1.0	Executive Summary.....	3
2.0	Mandate	5
3.0	Strategic Direction	6
4.0	Overview of Current and Future Programs and Activities.....	8
5.0	Resources Needed to Meet Goals and Objectives	13
6.0	Risk Identification, Assessment and Mitigation.....	17
7.0	Environmental Scan	19
8.0	Human Resources.....	26
9.0	Performance Measures	27
10.0	Financial Budget and Staffing	28
11.0	Information Technology/Electronic Service Delivery Plan	36
12.0	Initiatives Involving Third Parties	37
13.0	Implementation Plan.....	39
14.0	Communication Plan	40
15.0	Organizational Chart	41
	APPENDIX I - NFMC FORECAST FINANCIAL SUMMARY.....	42
	APPENDIX II - NFMC “Key Financial Assumptions”	46
	APPENDIX III - NFMC SILVICULTURE OBLIGATION TREATMENT PLAN.....	48
	APPENDIX IV - NFMC COMPENSATION STRATEGY.....	53

1.0 Executive Summary

Nawiingnokiima Forest Management Corporation (NFMC) is the first Local Forest Management Corporation (LFMC) to be formed under the *Ontario Forest Tenure Modernization Act, 2011* (OFTMA) and represents an important component of Ontario's overall plan for modernizing the forest tenure and pricing system in the province.

The Agency business plan prepared in accordance with the Agencies & Appointments Directive (AAD) and the Guide to Developing Business Plans for Classified Agencies describes the corporation's mandate, priorities, programs and activities and provides a financial budget for the next three years.

NFMC's operations are related to the delivery of forest management and harvesting programs, guided by the requirements of the Crown Forest Sustainability Act (CFSA), the OFTMA and approved forest management plans for the applicable management units. NFMC budgets for all operating and capital expenditures along with a forecast of revenues to be achieved. The forest renewal program is funded by the renewal portion of the Ontario Crown stumpage matrix, which goes directly in management unit specific forest renewal trust fund.

NFMC is a self-financing operational enterprise Crown agency and derives its revenues from the sale of Crown timber from its defined management area consistent with the government-approved revenue model for LFMCs. There are two main component to NFMC's general revenue – administrative fees charged on wood deliveries to mills and stumpage from the wood harvested. Currently NFMC generates revenues directly from administration fees from the Big Pic and Pic River management units. In 2013/14, NFMC generated \$449,742 in administration fees for volume delivered during the year. For 2014/15, NFMC generated administration fee charges of \$499,721. The budget for 2015/16 is \$641,300.

The other revenue source, the former CRF component of stumpage, is currently going to a trust administered by Forestry Futures Committee (FFC). The revenues from the former CRF portion of stumpage are forecast to begin flowing directly to NFMC in 2015/16 following the issuance of sustainable forest licences for the Big Pic and Pic River forests, to the Corporation. Full implementation of the revenue model is expected to begin when the two additional SFLs for the White River and Nagagami Forests are transferred to the agency. LFMC conversion revenue, of \$1,600,000 (funding from Forestry Futures Trust) was received in 2014/15. Stumpage revenue is projected to be almost \$1,800,000 by 2015/16.

NFMC generates sufficient funds from operations to cover renewal activities and address the silviculture obligation. The Big Pic Forest is currently above minimum balance and it is expected the balance will continue growing in 2015/16 and 2016/17. The Pic River Forest is currently below minimum balance, largely due to the lack of harvest activity over the last few years. NFMC is accepting the unit from the MNRF with the deficit and will begin addressing the shortfall, including by increasing the harvest

levels on the unit resulting in more contributions to the trust fund. The Ministry of Natural Resources and Forestry (MNRF) has obligated NFMC to amalgamate the two units, it is expected that the amalgamation will occur in 2019. The deficit on the Pic River will be eliminated through amalgamation since the balance on the Big Pic will offset the deficit on the Pic River.

Forest product markets and operations in the proposed management area are currently constrained and, while showing signs of recovery, still present some uncertainty to NFMC operations in the near-term. For the purpose of the revenue assumptions, wood sales were projected based on an anticipated modest recovery in the area's forest product markets over the three year projection period.

NFMC operations will be structured to meet obligations related to the sustainable management of the forests in which it is responsible. Operations will be scaled appropriately and in accordance with those revenues in order to ensure the Corporation can cover its operating costs and begin building an operating reserve as a hedge against market downturns. Total expenditures (including road maintenance and forest renewal expenses) of \$2,619,879 were incurred in 2013/14. The company's operating costs for 2013/14 were approximately \$600,000 (excluding roads and renewal costs). The expenditures for 2014/15 were \$3,197,607. The company's operating costs for 2014/15 were approximately \$1.3 million due to the fact that NFMC is now responsible for salaries and benefits previously covered by the MNRF. NFMC recently hired staff to manage silviculture and perform GIS tasks which will result in an increase in costs to \$1.6 million in 2015/16. Start-up financing from the Forestry Futures Trust's – LFMC Conversion Program will be available to "capitalize" the agency and support its working capital needs during the start-up period until NFMC assumes the SFL's.

2.0 Mandate

Nawiinginokiima Forest Management Corporation (NFMC) was established through regulation under the *Ontario Forest Tenure Modernization Act, 2011 (OFTMA) on May 29, 2012 (per Regulation 111/12)*. The OFTMA outlines the generic structure for a Local Forest Management Corporation (LFMC) and sets out its key attributes including requirements for corporate matters, board of directors, general powers, general manager and employees, financial matters, etc. The OFTMA also states the objects of an LFMC as follows:

- To hold forest resources licences and manage Crown forests in accordance with the *Crown Forest Sustainability Act, 1994 (CFSA)* and to promote the sustainability of Crown forests.
- To provide for economic development opportunities for Aboriginal peoples.
- To manage its affairs to become a self-sustaining business entity that optimizes value from Crown forest resources while recognizing the importance of local economic development.
- To market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.
- To carry out such other objects as may be prescribed by regulation.

Consistent with OFTMA and the objects of an LFMC, as described in the Act, the Board of Directors has further described the mandate for the NFMC as follows:

- Manage Crown forests sustainably in accordance with the CFSA, including the development and implementation of Forest Management Plans.
- Market and sell available Crown timber in a manner that:
 - creates a cost competitive, affordable, and accessible supply of Crown timber to the forest sector,
 - promotes best end use of available Crown timber,
 - recognizes importance of local forest businesses for employment and community stability,
 - is responsive to changing conditions, and
 - provides a continuous and predictable supply of Crown timber.
- Provide economic benefits to communities dependent on Crown timber from the management area, including employment and economic development opportunities in the forest sector.
- Provide for economic development opportunities and greater role for local and Aboriginal communities in the management of Crown forests.
- Promote and attract forest sector investment in the local management area.
- Operate as a self-financing business, which includes establishing an operating reserve which will ensure continued sustainable forest management in response to variations in economic cycles.

- Reinvest in the forest to improve the Crown forest asset through the following activities:
 - Intensive silviculture,
 - Training and capacity development for Aboriginal communities,
 - Forestry research and development,
 - Forest sector marketing and forest product development, and
 - Other activities as assigned by the Minister.
- Advise the Minister of Natural Resources on matters related to the forest industry and forest sector.
- Collect, maintain and provide Crown timber sales and pricing information.

A Memorandum of Understanding (MOU) between the Minister of Natural Resources and Forestry (MNRF) and the NFMFC Board of Directors clarifies the roles, responsibilities and operating relationships, consistent with the OFTMA and the AAD.

3.0 Strategic Direction

In September 2013, NFMFC initiated a strategic planning exercise as a first step in establishing the strategic direction for the Corporation over the next five years consistent with the objects described in the OFTMA. At that time, the Board confirmed the five-year preferred future, ensuring the Corporation focused primarily on:

- being driven by the **interests of the community**,
- generating a high level of **innovation**,
- driving **economic development** in the region, and
- providing effective **governance and management** of the forests.

As part of that exercise, NFMFC identified five major thematic opportunities that could be pursued, falling into the categories of:

- Establishing a world class forest management company,
- Extending the scope of usage of forest resources,
- Building new forest related industry in the local communities,
- Establishing a new baseline for First Nations engagement, and
- Engaging the community in forestry operations and opportunities

In order to move forward on these opportunities NFMFC has identified 11 strategic initiatives that fall generally into the areas of stakeholders, economics, and marketing as reflected in Table 1 below:

Table 1. NFMC proposed strategies and strategic initiatives

Strategic Area	Proposed Strategy	Status/Strategic Initiatives
Stakeholder	Engagement Strategy	Policy for Observers at Board meetings Forest Industry Stakeholder Advisory Committee Communications Strategy under development
	Talent Management & Compensation Strategy	GM and other members of the management team recruited Compensation Strategy developed and approved Performance Management & HR Committee to be formed
	Education Strategy	To be developed
	Partnership in Innovation Strategy	To be developed
Economics	Economic Development Strategy	Draft Procurement policy under development Other tools to be developed
	First Nation Economic Development Strategy	Draft Procurement policy under development Other tools to be developed
	Maximizing Value from the Forest Strategy	Long-term MOAs with customers Available wood supply report
	Financial Management & Reinvestment Strategy	Building stable and sufficient cash flow Establishment of Operating Reserve
Marketing	Wood Marketing Strategy	Open market sales program to be developed
	Brand Strategy	Draft Communication strategy under development
	Forest Industry Strategy	Long-term MOAs with customers Forest Operations Committee established

During 2015/16, NFMC will continue to move forward with the development of the above noted strategies and strategic initiatives. The group identified seven elements as Critical Success Factors to create the preferred:

STRONG INDUSTRY, GOOD MARKETS – While we cannot directly impact the industry and markets, we can contribute to the financial success of our industry partners by effectively managing, lowering, and containing the renewal fee.

CLEAR PRIORITIES – The Board and staff are clear on what’s most important to accomplish over the next year.

DEDICATED TEAM – Staff and Board members clearly understand and are committed to fulfilling their roles and responsibilities.

EFFECTIVE LISTENING – Through openness, transparency, and patience, we have created an environment of open and productive dialogue with our First Nations, Industry partners, and Community leaders.

CREATIVE SOLUTIONS – As we develop solutions for outstanding problems and challenges, we are fully open to – and are committed to – explore new and different ways to approach them.

ACTIVE PARTNER SUPPORT – We are highly focused on gaining the active support of key partners: the Ministry, industry, municipalities, and First Nations.

INITIATIVE MANAGEMENT – We are effectively managing the initiatives, having assigned a lead person for each initiative – along with ensuring they have the support they need – having set milestones with due dates, and formally tracking progress.

Vision/Mission

By 2018/19, NFMC will strive to be recognized as a leader in sustainable forest management and a model for community-managed forests that is focused on:

- The interests of the communities,
- Generating a high level of innovation,
- Driving economic development in the region, and
- Providing effective governance and management of the forests.

4.0 Overview of Current and Future Programs and Activities

The NFMC, a classified operational enterprise Crown agency, is self-financing with the mandate to sustainably manage the forests within its mandated area and to harvest, market and sell the associated available wood supply.

Given this, the NFMC has three major program areas:

1. Forest Management Planning,
2. Forest Operations (including harvesting, renewal, roads and compliance activities), and,
3. Timber sales and marketing.

Activities of NFMC are guided by the conditions of the licences it holds, consistent with the requirements of the CFSA and the OFTMA.

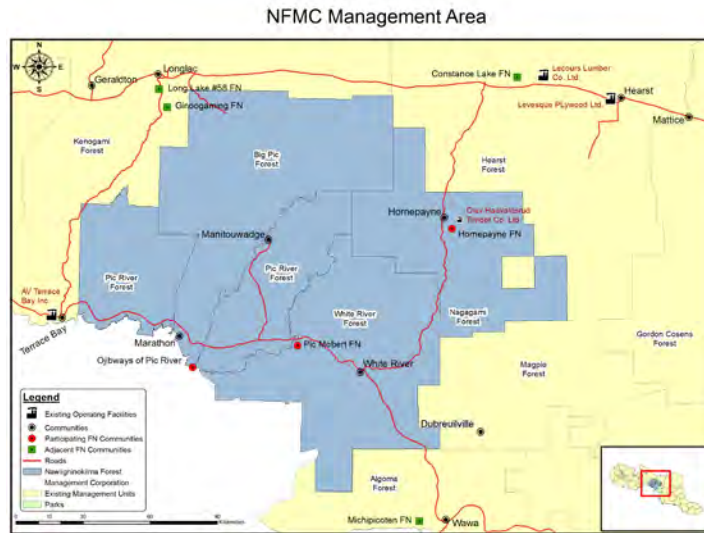
NFMC Management Area

The intent is for NFMC to manage an area that is comprised of four management units – Big Pic, Pic River, White River and Nagagami Forests. See Figure 1. This proposed management area encompasses approximately 1.9 million hectares of productive Crown forest with an available harvest volume of 2.2 million cubic metres of merchantable fibre and 435,000 cubic metres of biomass fibre annually (based on current forest management plans). The Management Area includes the communities of the Ojibways of the Pic River First Nation, Pic Mobert First Nation, Hornepayne Aboriginal community, Marathon, Hornepayne, Manitouwadge and White River.

NFMC currently holds forest resource licences on the Pic River and Big Pic Forests. Along with those licences comes the forest management responsibilities for the two forests. NFMC is working towards having sustainable forest licences issued for these two forests in the 2015-16 fiscal year. Once NFMC has been issued these SFLs, NFMC will

work with the current SFL holders to transfer the Nagagami and White River SFLs to NFMC.

Figure 1: Proposed Management Area for NFMC



Forest Management Planning

Forest management in Ontario is conducted in accordance with the CFSA and is accomplished through the preparation and implementation of a 10-year forest management plan for each designated management unit. Implementation of a forest management plan includes the development of annual work schedules and annual reports as well as the preparation of any new forest management plan that may be required as part of the ongoing forest management planning cycle.

There are currently four approved forest management plans in place on the NFMC management area (one for each of the four forests). Currently, NFMC is responsible for implementing the FMPs on the Big Pic and Pic River Forests. Once SFLs are issued to NFMC, it will be responsible for implementing those plans in accordance with responsibilities and conditions of any SFL issued to the Corporation. In addition, NFMC will have a major role in the preparation of new forest management plans for the management area to facilitate ongoing forestry operations.

The MNRF has requested that the Big Pic and Pic River SFL's be amalgamated into a single forest management plan, targeted for April 1, 2019. NFMC and MNRF have started the process for amalgamating the forests, for example public notifications have been sent to stakeholders. NFMC will require a contingency plan because of the

different FMP planning cycles for Big Pic and Pic River. In 2015/16, NFMC plans to start the process to prepare contingency plans that will cover the period April 1, 2017 to March 31, 2019, allowing sufficient time to prepare one 10-year FMP for the amalgamated Pic River and Big Pic Forests.

Forest Operations

While there has been some improvement in 2014/15, harvesting capacity in the management area continues to be constrained due to the recent impacts of bankruptcies and restructuring of the area mills as well as the continued weakness in forest product markets and prices. Local harvesters continue to face difficulty financing equipment and operations, securing trucking capacity as well as attracting skilled and trained workers to take advantage of any market demand.

NFMC has identified the following harvesting companies/organizations with an interest in building capacity to conduct forest operations on the management area:

1. Pic River Development Corporation
2. Pic Mobert First Nation
3. B&M Hauling
4. AV Terrace Bay Inc.
5. Ken Dooley and Son Logging
6. 686860 Ontario Inc.
7. Buchanan Woodlands Inc.
8. Olav Haavaldsrud
9. Kenogami Lake Lumber (sub-contractor for Nagagami Forest Management Inc.)
10. Kabi Lake Forest Products (sub-contractor for AV Terrace Bay)
11. Lecours / Amik Logging

Over the next three years, NFMC will continue to work with the existing harvesters and mills to develop harvesting strategies to build local capacity consistent with NFMC objectives and ensure wood is harvested and made available. Future programs, such as; developing workforce capacity (in particular with Pic River and Pic Mobert First Nations), developing and delivering training courses, and participating in promotional events to showcase the Corporation. These initiatives will be developed as NFMC moves forward with its strategic plan.

NFMC's operations will also include the necessary renewal, roads, compliance and other operational responsibilities required under its forest resources licences issued by the MNRF. Further details on these programs as they relate to renewal and roads can be found in Section 5.0 below.

Timber Sales and Marketing

Currently, existing wood supply obligations total approximately 1.2 million cubic metres from all four SFLs annually. The table below illustrates the existing and proposed wood supply obligations on the Big Pic and Pic River management units. The wood supply commitments from the management area will be updated as part of the issuance of the

sustainable forest licenses. In addition, NFMC management is working with the local mills to determine future needs.

In addition to the existing wood supply obligations, the proposed wood supply obligations for the management area largely represent the conditional offers under the Provincial Wood Supply Competition and could result in additional markets and wood demand of 121,800 cubic metres annually. The proposed Rentech jet fuel facility has been scrapped, however the company is investing in a pellet plant in the Wawa area. Pellets are a low value product and to minimize costs haul distance is generally short. Currently, it appears the mill has sufficient supply and Big Pic and Pic River are outside the haul radius. While Rentech cannot be relied upon as a market for hardwood in the short-term it does present some upside to NFMC should it materialize in either the near or long-term.

Table 2. Wood Supply Obligations and Offers for the Big Pic and Pic River SFL's

Big Pic	Commitments				Offer			
	SPF	PO	BW	Biomass	SPF	PO	BW	Biomass
AVTB	150,000							
Haavaldsrud					24,000			
Levesque						14,000		
Lecours					82,000			
PaysPlatFN								
	150,000				106,000	14,000		
PicRiver	Commitments				Offer			
	SPF	PO	BW	Biomass	SPF	PO	BW	Biomass
AVTB	269,700							
Haavaldsrud								
Levesque		6,700				1,800		
Lecours								
PaysPlatFN							10,000	
	269,700	6,700				1,800	10,000	
TOTAL	Commitments				Offer			
	SPF	PO	BW	Biomass	SPF	PO	BW	Biomass
AVTB	419,700							
Haavaldsrud					24,000			
Levesque		6,700				15,800		
Lecours					82,000			
PaysPlatFN							10,000	
	419,700	6,700			106,000	15,800	10,000	

All of NFMC's commitment holders are planning major capital investments to increase productivity and demand in 2015 and 2016.

NFMC is working closely with existing and proposed commitment holders to ensure wood supply is made available consistent with any commitments and obligations identified by the Ministry. NFMC is working to maximize the total fibre volume from the forest and may consider arrangements that make available residual fibre (e.g. sawmill chips) in exchange for roundwood. NFMC management is preparing a wood supply assessment for each mill based on integrating management when the SFL's are all managed by NFMC.

The demand for softwood is growing, however, the lack of markets for hardwood are a challenge. Planned changes at the AVTB and Levesque mills and operations at Rentech may result in increased demand

NFMC has met with the forest industry to determine projected mill requirements for 2015/16 and 2016/17. Haavalsrud, White River Forest Products, and Columbia are making capital investments to improve efficiency and capacity.

The mills put forward their planned consumption. Some mills requested additional softwood volume, this wood was identified by NFMC and will be made available on the open market to mills that are in good standing (i.e. current on admin fees and stumpage). In addition, AVTB has entered into discussions with sawmills regarding exchange agreements allowing the sawmills to access roundwood in exchange for sawmill chips. NFMC will work with all mills to support these agreements.

Where commitment holders do not intend to utilize their committed volumes, NFMC will develop a process to ensure they are made available for other customers.

A minimum price for timber will be set by the NFMC to ensure it can pay associated Trust charges and recoup its other operating costs. The NFMC will have the flexibility to consider and incorporate other factors like quality, distance, species, access and other factors when establishing the minimum price for which it sells Crown timber.

Utilization Strategies

NFMC is developing strategies and principles to ensure maximum utilization and value from the available forest resources. NFMC will strive to be a model for open and competitive marketing of wood fibre and will strive to develop and support a balanced and diverse base of customers and service providers consistent with its objects.

During the 2015/2016 year, a policy will be developed outlining processes for the NFMC to sell non-committed fibre using open, transparent and predictable procedures. The intent is to prudently implement the policy beginning in the 2016/2017 year.

Future Programs and Activities

As described in Section 3.0, NFMC is currently working on its strategic plan to guide its future programs and activities and will continue to move forward with efforts in this regard. During the projection period, NFMC will focus on ensuring its ability to fund operations and manage obligations under its forest resource licences. To this end, the Corporation is anticipating that it will be in a position to establish and grow its operating reserve to a sufficient level to manage its operating risk and exposure. The Corporation is also anticipating that it will have sufficient cash flow to support other strategic initiatives to further its objects to support the development of specific strategies/programs. Please refer to Sections 10 and 12 for further details on the operating reserve and strategic initiatives being pursued by the Corporation.

The Corporation will also be actively pursuing discussions with MNRF and the existing licence holder to facilitate the transition/issuance of SFLs to the company. NFMC is anticipating the issuance of the SFLs for the Big Pic and Pic River forest in the 2015/16 fiscal followed by the White River and Nagagami at the end of 2015/16. Refer to Section 13 for a more detailed schedule for the transition of licences to NFMC.

5.0 Resources Needed to Meet Goals and Objectives

NFMC is expected to operate independently from government and on a financially self-sufficient basis. As a Crown agency, NFMC is required to conduct itself according to the roles and responsibilities outlined in the Memorandum of Understanding, which includes adherence to all applicable Acts, policies and government directives. In order to accomplish its goals and objectives the Corporation has access to several sources of revenue which are summarised in Table 3 below. It is important to note that some of these sources of revenue such as the Forest Access Roads and Forest Renewal Trusts are designated for specific purposes and are not generally available to NFMC to cover its day-to day costs and expenditures. While NFMC will be responsible for the management and implementation of these programs on its management area, the Corporation will only be able to access funding from these programs to support eligible costs that it has incurred specifically for the delivery of these programs.

Table 3. Financial resources available to NFMC

Resource	Details	NFMC goals and objectives	15/16 Amount available (estimate)	16/17 Amount available (estimate)	17/18 Amount available (estimate)
LFMC Revenue Model	Stumpage revenues and admin fees from wood sales remain with NFMC to further objects	<ul style="list-style-type: none"> ○ Sustainable forest management ○ Economic development for communities and Aboriginal people ○ Timber marketing & sales information/data 	\$1,814,750 based on the Big Pic & Pic River Forests only	\$3,721,216 includes revenue from all four SFLs	\$4,799,710
Forest Renewal and Forestry Futures Trusts	Funding for eligible renewal and silviculture activities Majority of funding flows as a direct reimbursement to contractors	<ul style="list-style-type: none"> ○ Reinvesting in & improving the forest asset ○ Sustainable forest management 	\$2,500,000 NFMC estimates a recovery of ~\$393,181 for eligible costs incurred in the delivery of this program	\$3,500,000 NFMC estimates a recovery of ~\$506,057 for eligible costs incurred in the delivery of this program	\$3,800,000 NFMC estimates a recovery of ~\$567,147 for eligible costs incurred in the delivery of this program
Forest Access Roads Funding	Funding allocation to support construction & maintenance of forest access roads Majority of funding flows as a direct reimbursement to contractors	<ul style="list-style-type: none"> ○ Cost competitive, affordable wood supply ○ Continuous and predictable supply 	\$2,035,000 NFMC estimates a recovery of ~\$62,424 for eligible costs incurred under this program	\$2,300,000 NFMC estimates a recovery of ~\$70,000 for eligible costs incurred under this program	\$2,500,000 NFMC estimates a recovery of ~\$80,000 for eligible costs incurred under this program
Industrial Road Maintenance Agreement	NFMC has signed an agreement with MTO to maintain the Caramat-Manitouwadge Industrial Road	<ul style="list-style-type: none"> ○ Reinvesting in & improving the forest asset ○ Economic development for communities and Aboriginal people 	\$100,000 NFMC operates the contract on a cost recovery basis	\$110,000 NFMC operates the contract on a cost recovery basis	\$120,000 NFMC operates the contract on a cost recovery basis

LFMC Revenue Model

NFMC revenues are derived from the sale of Crown timber from the management area. The company needs to market and sell sufficient volumes of Crown timber to cover its operating costs, and will scale the operations in accordance with the revenue it generates from the sale of timber. An important part of the self-financing revenue during the start-up period is being allocated to build up an operating reserve as a hedge against market downturns.

Pricing for timber sales will be set by the NFMC to ensure it can pay associated Trust charges and recoup its other operating costs. The NFMC will have the flexibility to consider and incorporate other factors like quality, distance, species, access and other factors when establishing the minimum price for which it sells Crown timber. During its start-up period and until sufficient information can be collected from an open market sales program, NFMC will rely on the MNRF stumpage matrix to set the price it charges for timber.

Ultimately, NFMC will operate under a revenue model where the price it charges for Crown timber is determined by market factors. Technically this will be accomplished by having the CFSA s.31 price for the Crown timber set by the Minister to zero such that there will be no requirement for remittances to the Consolidated Revenue Fund for Crown timber harvested on the NFMC management area. Remittances to the two forest Trusts would continue in their current manner. For a portion of the year, the forestry futures trust charge will include an additional charge for forest resource inventory. The remaining value of the Crown timber, as established in the marketplace, will flow to the NFMC. The agency will use this revenue to cover its costs, satisfy its obligations and to undertake activities consistent with its objects.

Forest Renewal Trust Funds:

The Forest Renewal Trust (FRT) account(s) for the four management units will fund eligible silviculture activities as well as the associated support and administration costs incurred by NFMC in designing and delivering the silviculture program. Applicable forest renewal charges will continue to apply and be paid into the Forest Renewal Trust for wood harvested from the NFMC management area. NFMC will follow the established principles and process for setting renewal charges, which are set by MNRF and will ensure that the necessary budgeting and invoicing procedures are in place.

The majority of activities are expected to be funded by direct contractor reimbursement from the Forest Renewal Trust Fund. In these cases, NFMC does not receive funds from the Forest Renewal Trust and these transactions are not recognized as expenses or revenues.

NFMC will determine the level of costs that can be attributed to the silviculture program and will seek reimbursement following established procedures. Eligible costs for reimbursement are determined by the Forestry Futures Committee and include direct costs of employees/contractors associated directly with eligible silviculture work including planning and record keeping as well as an allowance for administration overhead.

As part of the license issuance to NFMC the company agrees to assume the silviculture obligations on the units. The company will use Forest Renewal Trust Fund and other sources to cover the associated costs.

Forest Access Roads Funding:

As the SFL holder, NFMCC is responsible for managing arrangements for the construction and maintenance of a majority of the forest access road infrastructure on the management area. This public road infrastructure represents a large capital investment and benefits many users, including mining companies, tourism operators, First Nation communities, utility and railway companies, hunters, anglers, campers, trappers, cottagers, and the general public. It also provides the rural infrastructure for emergency preparedness and response.

In 2005, the MNRF established a funding program to assist the forest industry in the cost of construction and maintenance of these forest access roads. The program is based on a reimbursement to forest companies for invoiced amounts of road construction and maintenance costs on eligible multi-use primary and secondary forest access roads. The future availability of the program is uncertain and difficult to predict given the current economic climate facing the government.

Currently, the forest access road program provides a benefit to the existing licence holders in the proposed management area. The government announced that funding was reduced in 2014/15 to less than \$1.2 million for the Big Pic and Pic River SFLs. The funding level was confirmed for 2015/16 at \$2,035,273 for both forests. Subject to the program continuing into the future, it is expected that similar funding could be realized in future years.

LFMC Conversion Program Funding

The LFMC conversion program was required to initially capitalize the corporation and cover start-up expenses, until the SFLs have been issued and the agency has fully implemented its revenue model. This fund is administered by the Forestry Futures Committee. Once SFLs are issued and the available funding from the LFMC conversion program is utilized, any investments or expenses of the agency would be funded out of revenue generated from the sale of timber.

This start-up funding was derived from the redirection of the former CRF portion of Crown stumping on the NFMCC management area into a sub-account of the FFT beginning on June 1, 2012 to be accessed by NFMCC to support its start-up. In 2013/14, to support the establishment and start-up capitalization of the NFMCC, the Ministry approved a funding source of up to \$1.78 million under the Forestry Futures Trust LFMC Conversion Program.

A new funding agreement was finalized through the Forestry Futures Trust LFMC Conversion Program in 2014/15. The agreement will provide NFMCC with \$1.6 million. It is hoped that the Big Pic and Pic River SFL's will be transferred to NFMCC before the end of 2015/16. The funding will stop flowing into the FFT at that time and NFMCC will then be responsible to set price and collect funding once the respective SFLs are issued. Given delays in issuance of the SFLs, NFMCC may require a revised application to the Forestry Futures Committee to access funding.

Upon transfer of the SFLs all remaining funds in the account will be transferred to the NFMC operating reserve per By-Law #3.

Caramat- Manitouwadge Industrial Road Agreement

As part of its broader mandate, the NFMC entered into projects that contribute to local economic development goals. The NFMC has entered into an agreement to assume responsibility for the maintenance of the Caramat-Manitouwadge Industrial Road with the MTO. This 93 kilometre road is an important access route between Manitouwadge and the community of Caramat, located in the municipality of Greenstone. The road was closed five years ago following a major washout and left unrepaired. NFMC will receive payment from the MTO for re-imbusement of costs incurred.

6.0 Risk Identification, Assessment and Mitigation

NFMC is an operational enterprise agency with a Board of Directors and General Manager that are responsible for making operational decisions. As a Crown agency, there is a need to regularly identify, assess and manage any risks to the achievement of agency, ministry and/or government objectives. To do this, NFMC follows the risk assessment and risk management process outlined in the "Guide to the Risk-Based Approach, 2010". The requirements for risk assessments under the risk-based approach are:

- assessing risks for each agency in each of the specified corporate risk categories;
- keeping a record of the risk assessments for each agency by risk category; and
- reporting to TB/MBC on each agency's high risk categories including a description of each high risk, the reasons it is a high risk and what management plan is in place to manage the risk.

Treasury Board defines risk assessment as, "at a minimum, analyzing the risks typically involves assessing the likelihood of the risk occurring and the impact on objectives should the risk occur". The assessment will enable NFMC to map risks on a quadrant (low risk, low impact; low risk, high impact; high risk, low impact; high risk, high impact) that will assist in prioritizing the risks that need to be the focus of active responses and in assigning responsibility for those risks (e.g., high risk, high impact items would likely be expected to receive active ongoing attention from senior management and the board). Table 4 below provides a summary of the key risks and risk levels associated with this assessment.

Table 4. Risk assessment and management

Risk Category	Risk Element	Assessment		Mitigation Strategy
		Likelihood	Impact if realized	
License	SFL Licenses not issued/transferred (or significantly delayed)	Medium	Medium	Work with MNRF to meet bureaucratic requirements; industry support for transfer
	IFA audit recommendations	Low	Medium	Pre-emptively address possible IFA issues
Strategic	Ability to achieve objects	Medium	High	Strategic plan developed in 2014. Plan will be reviewed and updated annually.
	Financial stability	Low	High	Monitoring start-up funding; building relationships with customers; operating reserve establishment
	Ability to meet stakeholder expectations	Medium	Medium	Active engagement with local communities, First Nations and forest industry Stakeholder advisory and forest operation committees to be created
	Public Image	Low	Low	Communication strategy; targeted outreach
Accountability/ Governance	Ensuring responsible & compliant operations	Low	Low	Working closely with MNRF to ensure requirements are met
	Internal governance and accountability mechanisms	Low	Low	By-law incorporates the most current conduct & accountability standards for agencies
	Obligation of Directors	Low	Low	Review indemnities, insurance; E&O coverage
	Contractual compliance	Low	Medium	Retainer for outside legal support obtained
	Governance reporting requirements	Medium	Low	Develop reporting procedures and mechanisms Creation of Governance Committee to report to board
	Financial reporting	Low	Medium	Financial management system in place; NFMC audited annually
Operational	Market risk – demand for wood and impact on cash flow	Low	High	Operating reserve establishment; building relationships with customers
	Regulatory risk – environmental guides and policies reduce wood supply	Medium	High	Working closely with MNRF, advocate science based management
	SFL silviculture liability	Medium	Medium	Silviculture obligation plan approved by MNRF, minimum balance targets
	Contractor risk – major contractor unable to supply mills	Medium	High	Support contractors; attract new contractors; work with mills
Financial	Stumpage risk – customers unable to pay stumpage arrears	Medium	High	Monitoring customer payments/balance, operating reserve establishment; AR policy
	Investment risk/return	Low	Low	Operating reserve by-law
Workforce	Attracting talent	Medium	Medium	Competitive compensation package; recruitment support
	Employee relations	Medium	Medium	Development of Human Resources policies and procedures
IT & Infrastructure	Development of IT infrastructure	Low	High	Tendering for services from qualified vendors with established IT infrastructure
	Capital asset damage/Loss	Low	Low	Review insurance

Risk Category	Risk Element	Assessment		Mitigation Strategy
Other	International trade risk	Low	Medium	MNRF to support NFMC until market based system can be developed
	Public relations/ENGO targeting	Low	Medium	Expand /Maintain FSC certification, address IFA issues and concerns

Obligation Protection and Insurance

The Corporation has obtained and will maintain the insurance appropriate for a prudent business in similar circumstances to the Corporation including comprehensive general obligation insurance and directors and officer’s obligation insurance.

7.0 Environmental Scan

Forest Product Market Analysis

Based on publicly available information, the year ahead promises to be both as prosperous and challenging as 2014. As Canada’s battered forest sector battles to get back on its feet after a decade of widespread shutdowns and shrinking markets that wiped out more than 100,000 jobs (with a disproportionate share of losses in Ontario), the common cry across the industry is the need for it to work together with governments to reduce costs and improve competitiveness, if Ontario is going to compete in new products in international markets. And the starting point, many say, is to address the red tape that pushes up costs and constrains access to some of the country’s best wood, the basis of the entire business. When Resolute Forest Products Ltd. announced it would permanently close its newsprint mill in Iroquois Falls and its pulp mill in Fort Frances, it blamed, in part, a lack of availability and high cost of wood fibre.

The United States is still by far the biggest foreign market for Canada’s forest products, accounting for nearly two-thirds of all exports last year. The overseas markets (in particular China) may be shrinking in the year ahead but U.S. housing should continue to rise (although spasmodically) and the Canadian dollar will stay low for the year. On the other hand, the great challenge of the industry for the last century, the softwood lumber agreement will be rearing its ugly head late in 2015 when the current agreement expires. Forestry CEOs and analysts predict much the same for 2015 as the year before: slow cautious growth.

The current and projected markets for available wood fibre from the NFMC management area fall under four main forest product sectors; lumber, panel, pulp & paper and forest biomass.

Despite improving conditions in the five years since the economic crisis hit bottom in 2009, the production of major forest products in North America and Europe is still 10-15% below the average annual output for the four years preceding the crisis (2004-

2007). Although recent developments in most forest products markets still do not warrant being labelled as a “recovery”, the industry is looking forward to the promise of increased global demand, pent up domestic demand and the fact that wood products hold many solutions to improving the sustainability of the region’s economy and the global environment.

The lumber and panel sectors are showing signs of recovery as a sustainable recovery in the U.S. housing sector appears to be underway. In North America, the US housing market is still in the early stages of recovery. Spending on private residential construction (single- and multi-family housing) continues to improve, but remodelling is decreasing slightly, as are public expenditures. Several housing analysts project that a robust US housing recovery remains several years away. The Canadian housing market is considered stable.

The expectation is for U.S. housing starts to increase 31.5% from 2012 and an additional 30% in 2014 (RISI Feb 2013). The rapidly evolving Chinese market for lumber, especially spruce pine fir (SPF) offers a large opportunity going forward. China is expected to experience a fibre shortfall of 60-80 million m³ by 2015 (Equity Research Associates (ERA), April 2011). When you combine growing Chinese fibre requirements with the pent up demand being created in the US housing market, conditions appear favourable for lumber and panel producers. A rebound in prices and profit is expected in 2015 and will coincide with the completion of housing inventory correction in the U.S. Housing starts are expected to reach 1.34 million a year by 2016 which is more in line with pre-recession crisis levels.

The pulp, paper and paperboard market remained in flux as graphic paper capacity continued to be rationalized in Europe and North America – a development that has persisted now for a decade. Chemical market pulp capacity continued to expand in South America, with Southeast Asia being the favoured target market, despite a marked slowdown in investment in new paper and paperboard installations serving rapidly growing economies. These and other changes are resulting in a possibly unprecedented global shift in pulp and paper supply. In the pulp sector, expansions in bleached hardwood kraft capacity in South America are by far the most important factor influencing the market. The decline in the value of the Canadian dollar may improve the situation for Ontario mills in the short term it will not reverse the long term trend.

In the paper sector, the trend of converting production to paperboard and packaging grades continued. The global pulp, paper and paperboard industry is facing another challenging year. Despite significant capacity closures across several pulp, paper and paperboard grades in Europe, Japan and North America, production capacity is still too high when measured against falling or static demand for some grades. Recently paper and paperboard production and consumption rose in North America (when compared to the depth of the recession) while graphic paper and chemical woodpulp output fell across all regions.

Pulp demand and prices were undermined in 2012 due to weaker than projected world-wide economic activity. Continued negative pressure is expected to be exerted on

Canadian mills in the short term as markets continue to stabilize and adjust to accommodate supply side factors. Demand from China is offsetting weakness in the North American market due to the shift away from paper and writing grades. Fortunately, paper and writing grades are still growing in demand in developing countries and this growth is offsetting the anticipated decline in mature markets.

Demand for other pulp products such as dissolving pulp for uses like rayon is also showing some signs of growth and opportunity including the recent purchase and announcement to convert the Terrace Bay pulp mill. Developments in the wood-derived fabric industry continue to support the status of wood as a preeminent sustainable source of fibre for the world's clothing. Wood-derived viscose in its various forms is already an important player, accounting for 6% of the world fabric market. It occupies third place in that market, after synthetics and cotton and ahead of wool.

One concern regarding AV Terrace Bay's plan to upgrade its pulp operations is that China plans to continue with anti-dumping measures on dissolving pulp imports from Brazil, Canada and the USA. China's Ministry of Commerce (MOFCOM) announced it has decided to introduce definitive anti-dumping duties, following the provisional measure started in November 2013. The definitive AD duties of up to 33.5% have become effective on April 6, 2014 and will last for the next five years.

At the provincial level, the outlook for forest biomass is favourable as the Ontario government continues to advocate the use of renewable energy through various policy initiatives. The movement towards more renewable energy may translate into increased demand for previously unmerchantable fibre produced by harvesting activities. This may provide additional revenue to NFMC from the management area as well as reduced forest renewal costs typically associated with addressing non-merchantable fibre prior to renewing the forest. However, the momentum has stalled as concerns around the economics of biomass and 'green' energy have called into question its long term viability. In 2015, the forest biomass market is not expected to contribute to the success of NFMC. The value for forest biomass is so low that it restricts how far biomass can be hauled and it also limits the ability of NFMC to charge stumpage and administration fees.

Overall, factors look favourable for the continued recovery of key forest sector markets in the mid to long-term. This sustained recovery presents some upside to the operation of NFMC in 2015 and beyond.

A) Softwood Lumber Mills:

Three softwood lumber mills have been identified as core customers for NFMC:

1. Olav Haavalsrud Timber Company – is located directly in the management area and considered a core customer with a projected demand for approximately 270,000 cubic metres of spruce, pine and fir (SPF) sawlogs annually. Haavalsrud was successful in the Wood Supply Competitive Process (WSCP) and has proposed to

expand its operating capacity to 510,000 m3 annually.

The management area currently provides 100% of the mill's current wood supply needs consisting of all available SPF supply from the Nagagami Forest (~240,000 m3) plus an additional 24,000 m3 from the Big Pic Forest. Overall, Haavaldsrud's wood demand represents a market for ~13% of the available supply from the management area. This demand may increase with implementation of the WSCP.

In October 2013, an associated company finished construction of a 10 megawatt (MW) cogen facility on property adjacent to mill. The cogeneration facility will result in significant cost savings to the mill and additional revenue stream from sale of electricity. Initial estimates indicate that around 44% of wood for the cogen would come from residuals from the sawmill operations. The remainder would need to be obtained from unmerchantable forest biomass. There is a long-term Memorandum of Agreement between Nagagami Forest Management Inc and Haavaldsrud for 103,000 m3 annually of harvest residues (biomass) to support the operation of the cogeneration facility. The cogeneration facility is regarded as an important component to the long-term viability of the mill.

The sawmill is currently operating at a reduced capacity and dependent on having sufficient orders for its products. The outlook for the short-term operation of the sawmill and the proposed expansion is tied to recovery in U.S. housing market. Haavaldsrud presents a risk to the initial and longer term viability of the NFMC and vice versa given dependency on the management area for the mills wood supply.

2. Lecours Lumber Co. Ltd is located outside the boundary of the management area and is over 200 km from the proposed wood supply. While not considered a core customer, this mill has a proposed wood supply agreement under the WSCP for 82,000 cubic metres of SPF annually from the Big Pic forest.

Lecours represents a market for approximately 4% of the available supply from the management area.

Over the past couple of years the sawmill has been running sporadically and at reduced capacity. A timetable for resumption of full scale operations is still unclear.

The proposed operating level for the mill is 565,000 m3 as per the facility licence but mill has not approached anything near that type of volume since 2005/2006. The majority of fibre requirements are sourced from Kenogami, Hearst and Gordon Cosens Forests

3. White River Forest Products restarted the idled sawmill in White River in October of 2013 and the mill is currently operating on one shift. White River Forest Products has ~364,000 cubic metres available to harvest and utilize through the SFL they currently hold on the White River forest but require additional volumes to support the proposed operation. The company is also currently in discussion with AV Terrace Bay regarding potential synergies and opportunities. Currently, White River Forest Products has indicated that they will require 500,000 to 600,000 cubic metres

to support the mills operation and that this demand will be sourced primarily from log supplies available on the White River forest.

White River Forest Products and NFMFC have been in discussion regarding a large capital investment in the mill that will result in improved productivity and an increase in demand for wood from NFMFC. A portion of this additional demand from the White River forest has been incorporated into the financial forecasts.

B) Pulp and Paper Mills

One pulp mill has been identified as a core customer:

1. AV Terrace Bay (AVTB) is considered a core customer and market for at least 419,000 cubic metres of conifer annually.

In the summer of 2012, AVTB announced that it had acquired the former Terrace Bay Pulp Inc. pulp mill and would be undertaking investment to convert the mill to produce dissolving pulp. The mill began operations in October 2012 and is currently operating and producing Northern Bleached Softwood Kraft while it prepares to undertake investment to convert the facility to dissolving pulp.

While operating as a NBSK mill, the facility has a Ministry Recognized Operating Level (MROL) of 1.532 million m³ of merchantable SPF and 100,000 m³ poplar annually based on the use of 12 of the 18 digesters (67%) installed at the mill, and 96,000 m³ of unmerchantable fibre annually. Following the conversion to dissolving pulp, the MROL is expected to increase to 1.532 million m³ merchantable SPF and 268,000 m³ poplar annually, and 146,000 m³ of unmerchantable fibre annually. Operation at higher levels would require an increased wood supply. This larger affordable wood supply is not immediately apparent but would present additional opportunity for NFMFC.

The sale of the mill was a positive outcome and a significant opportunity for NFMFC. If operating in its current configuration, the mill could be expected to consume at least 19% of the available supply from the management area and could purchase significantly more (up to 25% of available supply) should it be made available. AVTB has consumed forest biomass in addition to merchantable wood supply. Past practices have seen the mill use some forest biomass derived from trees harvested for the facility or from other forestry operations in the area.

While the management area is an important strategic source of wood supply for the pulp mill's sustainable operation, the facility has ability to turn this market "on" and "off" as required (depending on availability of wood from other sources) and may choose to "store" volumes on the stump in favour of accessing cumulative volumes in a future year. This practice causes uncertainty for the NFMFC and would have to be managed by the agency as part of any wood supply arrangements made with the company. Historically, the facility has been dependent on sufficient demand for

market pulp and it is expected that the conversion to dissolving pulp will provide a more stable outlook and operation of the facility, even in the face of China's anti-dumping tariffs. Until the conversion is complete AV Terrace Bay continues to be considered a high risk operation to the financial performance of NFMC due to the amount of wood supply the mill consumes and the lack of alternative consumers who could compensate for the loss of such a large volume of demand for local wood supply. The operation of a facility in Terrace Bay is also highly important to the sustainable operation of area sawmills as a destination for residual sawmill chips.

C) Panel and Board Mills

Historically the management area had benefited from healthy competition between several existing veneer and oriented strand board (OSB) manufacturers. Most of these facilities have closed leaving only a single remaining panel board customer in Hearst.

1. Levesque Plywood Ltd. – considered a core customer and market for up to 107,000 cubic meters of veneer quality hardwood annually. The mill has an existing commitment for 91,270 m³ of veneer quality hardwood (poplar and birch) from the management area and has received an offer for an additional 15,800 m³ of poplar under WSCP. This supply combined with the existing commitment represents roughly half of the planned capacity of the mill and about 5% of the available supply from the management area.

The mill has been resilient over the past five years and has taken minimal down time even amidst the economic downturn. Currently Levesque is operational and actively seeking wood to meet production requirements. The company has been trying to obtain fibre to meet current demand and is having difficulty because of its specific fibre requirements. The amount of hardwood harvested has been low given the reduction in capacity for OSB and waferboard production in the province and is expected to continue until alternative markets for “residual” hardwood supplies have developed (e.g. engineered wood, wood pellets, biomass, etc.).

The primary challenge facing Levesque is getting veneer quality roundwood to the mill, especially since there is no market for the remaining portion of the tree. Levesque has also discussed capital investments that will improve the mill's performance and increased demand from NFMC.

D) Biomass Mills

Biomass markets and customers are a relatively new and developing opportunity for the management area and for NFMC. While a couple of biomass consumers currently exist in the area there are several proposals that, if established, would see significant increase in demand for forest biomass from the management area.

1. Rentech-‘RTK WP Canada, ULC’ is completing a pellet mill in Wawa and NFMC is currently in discussions regarding a long term business arrangement to support access to wood supply to support the facility. Demand from Rentech has not been incorporated into the forecasts but if it materializes will offer significant upside to NFMC operations for additional sales of its available hardwood and biomass fibre

Rentech’s pellet production is expected to begin in a year, after the mill is converted, and will have an output of 360,000 tonnes by 2016. The company has a contract to export pellets to a power generating facility in the United Kingdom which is converting from coal-powered generation to burning biomass fuel.

2. Capital Power (Calstock) – facility has historically relied on mill residuals as its main feedstock however because of the downturn in the markets it has looked toward forest harvest operations as a source of supply. The management area provides marginal opportunities as a source of supply.

The facility has a 20 year Power Purchase Agreement with the Ontario Power Authority for the sale of electricity to the grid. Capital Power was a successful applicant of the WSCP for ~173,000 m3 of unmerchantable fibre from management units closer in proximity to the facility. As forest products markets begin to recover and sawmills come back on-line it is uncertain as to the levels of forest biomass that will be required by Capital Power but its operation does present some upside as a potential market for forest biomass from NFMC. The operation is located over 150-200km from the closest forests managed by NFMC and would be on the marginal end of the mills economic wood basket.

E) Other Market Opportunities

Over the last couple of years, the management area has been able to provide volumes to other less strategic customers located well outside the boundary of the management area, sometimes as far as 500 to 600 km away. It is anticipated that these markets will still exist and may present some markets for additional wood sales for NFMC.

These opportunities include:

1. Tembec sawmills in Hearst and Chapleau (located approximately 200km and 300km respectively) – have purchased significant volumes in 2012/13
2. Tembec papermill in Kapuskasing (located ~300km away)
3. Domtar pulpmill in Espanola (located ~500km away)
4. Resolute pulp and paper mills in Thunder Bay (located 400 km away).

The implementation of the Caribou Conservation Plan policy into the new forest management plan for the Abitibi River Forest resulted in an immediate reduction to the wood supply of 20.4% with a steady decline over the next 40 years. This may result in a market for NFMC to mills facing decreased AAC’s. While opportunities may continue with the Tembec sawmills and pulpmill, it is unlikely that the Domtar and Resolute pulp

and paper mills identified above will be strategically important customers for NFMC operations due to the disadvantage caused by the distance to these facilities from the NFMC management area.

Macro-Economic Environment

The current macro-economic climate continues to present some uncertainty and risk for a meaningful and sustained recovery for the North American forest product industry. The performance of Ontario's economy has lagged the rest of the country for almost a decade. Economists are warning that that unsustainable provincial government deficits are a threat to the provincial economy. The drop in oil prices may slow the growth of the Canadian economy, particularly in the West and Newfoundland. The US economy has proved inconsistent but the risk of recession in the US has decreased as of late with some signs of life beginning to show in areas like consumer confidence, employment growth, industrial production and housing markets.

In the near term, it will remain difficult to predict any sustained recovery given the uncertainty in the macro economic climate and forest product markets in general. It is likely that factors like consumer confidence, monetary policy, exchange rates, fuel prices and instability in other economies will continue to threaten economic recovery both globally and in North America in general. This uncertainty will translate into continued challenges for Ontario's forest industry in the immediate to near term and although there appears to be significant upside potential there remains some market risk for the mills and customers that purchase wood from NFMC especially during its initial start-up period.

8.0 Human Resources

In 2014, NFMC initiated the hiring process aimed at installing its permanent management team. NFMC has hired its first general manager as well as a finance manager, planning forester, operations forester, and administrative assistant. The organizational structure for NFMC has been designed to be scalable and flexible to accommodate the needs of the Corporation as SFLs and associated responsibilities are assumed. For example, staffing and other resources as indicated in the business plan would be reduced appropriately until all four SFLs are assumed by the company.

The 2014 Independent Forest Audit (IFA) on the Big Pic forest identified concerns related to staffing. NFMC is committed to having sufficient staff and/or other resources in place to undertake all responsibilities under the SFLs as they are assumed. In this regard, NFMC has completed the development of a comprehensive staffing and compensation strategy which was approved by MNRF. NFMC has also developed internal human resources policies (i.e. overtime, travel, etc.) that have been approved by the board. In addition, NFMC has recognized that there is a large pool of knowledge available from consultants and other experts that it can draw from. NFMC will continue to use consultants for specialized tasks where NFMC's staff may not be experienced or

have the resources to complete.

Currently, NFMC is employing contractor staff for the Operations Manager and Forestry Coordinator positions. The use of contractor staff versus full time NFMC employees is being constantly evaluated. The addition of the White River and Nagagami SFLs may require additional staff positions. Also, NFMC is tasked to develop contingency and amalgamated forest management plans starting in 2015-16; NFMC is reviewing the staffing requirements associated with the increased workload.

Harvesting and delivery of wood to the mills is done by independent contractors. In prior years the mills signed contracts with the contractors and paid them directly for wood deliveries, however, starting in 2015/16 NFMC will employ a contractor to deliver wood on behalf of NFMC. The mills will pay NFMC and NFMC will pay the contractor for wood deliveries. NFMC does not have plans to hire production employees for harvesting activities.

NFMC worked closely with the MNRF to produce a detailed compensation strategy that provides the tools to ensure the Corporation’s ability to attract and retain talented staff while remaining competitive with comparable compensation levels within industry and government. However, the key to attracting talent will be proving the company is a successful business with a track record of accomplishment and a secure future.

9.0 Performance Measures

NMFC will develop operational performance measures and targets to ensure the achievement of its goals and objectives as well as achievement of the objects for the Corporation as described in the OFTMA and as required under the AAD. Generally, NFMC board and management will determine if it has done a good job by the ongoing review of these measures and targets.

Examples of how the performance measures relate to the goals of NFMC and the performance targets are outlined in Table 5 below.

Table 5. NFMC Preliminary Performance Measures

Goal	Performance measure	Standard/Target
World class forest management company	<ul style="list-style-type: none"> - Are the forests being managed sustainably as per audits/certification standards, etc.? - Has the renewal program met or exceeded the commitments made in the approved FMP? - Has NFMC invested in R&D to improve forest management? 	<p>All forests certified by 2016/17</p> <p>Favourable audit findings</p> <p>Development spending, memberships in organizations such as FERIC, support for education</p>
Becoming financially self sufficient	<ul style="list-style-type: none"> - Does the Agency have sufficient cash flow to support operations - Has an appropriately sized operating reserve been established? - Has value for money been realized when spending taxpayer dollars? - Are accounts receivable collected in a timely manner? 	<p>\$200,000 to 500,000 of free cash flow</p> <p>\$0.3 million operating reserve by year end 2014/15</p> <p>\$2.0 million operating reserve by year end 2015/16</p> <p>No aged accounts receivable listing beyond 90 days</p>

Goal	Performance measure	Standard/Target
Extending scope of usage	<ul style="list-style-type: none"> - Have commitments volumes been made available and/or utilized? - Has wood been made available to new entrants? How much? - Has NFMC moved closer to a more economically efficient system for wood allocation and pricing? - Has utilization of available timber over operational period improved and/or new markets been developed? 	100% of commitment volume made available Percentage of wood made available to open market customers Positive utilization trends
Meeting governance requirements	<ul style="list-style-type: none"> - Have government directives been followed (ie AAD) - Completion of Annual Business Plan - Risk Assessment Evaluation - Annual Report 	All reports submitted on time Posting of reports to website
	<ul style="list-style-type: none"> - In addition to the AAD, all classified agencies must adhere to - Accountability Directive - Advertising Content Directive - Delegation of Authority Key Directive (MOF) - Government Appointees Directive - Travel, Meal and Hospitality Expenses Directive 	100% compliance with directives Development of relevant NFMC policies Creation of Governance Committee to report to board
Building new local forest related industry	<ul style="list-style-type: none"> - Have local economic development opportunities been created/supported by NFMC operations? 	Establish benchmarks for current levels Targets to be determined
Establishing a new baseline for First Nation engagement	<ul style="list-style-type: none"> - How have communities interests been represented by NFMC operations and decisions? - Have Aboriginal economic development opportunities been developed? 	Establish benchmark for current levels Targets to be determined
Engaging the community in forestry	<ul style="list-style-type: none"> - How have communities interests been represented by NFMC operations and decisions? 	# of Events attended # of Newspaper Articles

10.0 Financial Budget and Staffing

NFMC is a Crown Agency established by the Ontario Government. NFMC operates on a non-profit basis and is exempt from income taxes under the Income Tax Act. NFMC is self-financing, and does not require funds from government to carry out its activities. Staff are public servants for a “public body”, but are not Ontario Public Service (OPS) employees.

NFMC budgets for all operating and capital expenditures along with a forecast of revenues to be achieved. The Forest Renewal Trust and Forestry Futures Trust programs (including the LFMC Conversion Program and the forest resource inventory component) will continue to be funded by the applicable portion of the Ontario Crown stumpage matrix applied to all volumes of wood sold from the NFMC management area.

It is important to note that the current forecasts and budget assume wood sales at the stump which represents 100% of NFMCs current operations. While it is expected that over the projection period NFMC will begin to build capacity and develop its wood sales program including open market sales the impact of this program is not included in the current projections. The estimated financial impact of implementing a more involved wood sales program is not expected to negatively or positively impact profitability of the agency however it would result in a significant impact on the projected revenues, costs and cash flow associated with harvesting, processing and delivery of wood to the mills.

During the projection period, NFMC will evaluate the impact on its finances of implementing any open market wood sales or sale at delivered prices on a case by case basis before proceeding to ensure that it does not add significant risk or exposure to its operations.

Table 6. NFMC Harvesting Targets (Big Pic, Pic River)

Harvest (m3)	Actual 2014/15	Target 2015/16	Target 2016/17	Target 2017/18
Conifer	438,831	575,000	600,250	610,500
Hardwood	22,166	30,000	57,500	85,000
Biomass	64,051	75,000	77,500	80,000
Total	525,047	680,000	735,250	775,500

Table 6 shows the volume expected from the Big Pic and Pic River SFLs that NFMC currently manages.

In Table 7, the volume for 2014/15 to 2015/16 are based solely on the Big Pic and Pic River SFL's. It is assumed that the Nagagami and White River SFL's will be added the end of the 2015/16 year. The volume targets for 2016/17 and 2017/18 are based on estimated harvest from all four units. Based on discussions with the receiving mills it is expected that during the period of the projection AV Terrace Bay and White River Forest Products will complete their upgrades and Buchanan group will bring on line its sawmill in Longlac.

The NFMC volume in 2016/17 (and related revenues) is expected to increase by over 500,000 m3 due to the inclusion of the White River and Nagagami SFL's as shown in Table 7.

Table 7. NFMC Harvesting Targets (Big Pic, Pic River, White River & Nagagami)

Harvest (m3)	Annual Targets			
	Actual 2014/15*	Estimated 2015/16	Estimated 2016/17	Estimated 2017/18
Conifer	438,831	575,000	1,083,200	1,322,000
Hardwood	22,166	30,000	120,000	200,000
Biomass	64,051	75,000	125,000	150,000
Total	525,047	680,000	1,328,200	1,672,000

*2014/15 and 2015/16 are based on Big Pic and Pic River only

In addition to administration fees and stumpage revenues, NFMC receives funding from the provincial roads program, forest renewal trust and sometimes from Forestry Futures Trust. These revenues are related to specific activities and are re-imbursements for costs incurred by NFMC. In the case of the forest renewal trust fund and roads program almost the entire amounts are sent directly to the contractors and are not retained by NFMC. Total revenues of approximately \$4,281,000 (including the FFT, FRTF and forest

access roads funding of over \$2 million) were generated in 2013/14. In 2014/15, NFMC generated \$4,334,000 in total revenue (including \$2.2 million for roads and renewal) similar contributions from FRTF and the roads program are expected in 2015/16 and 2016/17. These revenues are considered flow through funds and are not included in projections for the business plan (related expenses are also not included in the business plan financials).

As described above, start-up funding of \$1.78 million was made available to support the initial capitalization and start-up expenditures of NFMC. This funding was to bridge NFMC operations through 2012/13 and 2013/14. Currently stumpage generated from the NFMC management area is allocated to a sub-account of the trust fund administered by Forestry Futures Committee. NFMC submitted an application to Forestry Futures Trust Fund (FFTF) for \$1.6 million in funding in 2014/15 (money was received in 2015/16). A funding agreement for 2014/15 was required to access this funding until the agency assumes the SFL's, planned for 2015/16. After this time, NFMC will be responsible for setting its own price and collecting the revenue from its wood sales. The agency will not require any additional funding support to carry out its mandate.

The forecast silviculture program for the Big Pic and Pic River is estimated at approximately \$2.5 million per year to meet the forest management plan objectives. The funding will allow NFMC to address the silviculture obligation. Once the historic obligation is addressed NFMC will review the silviculture program and renewal rates to determine future strategies. Based on forecast treatment requirements and harvest levels the breakeven renewal rate is approximately \$3.50/m³ for softwood. NFMC is working with Jackfish River Forest Management and White River Forest Products to determine the silviculture requirements for the Nagagami and White River units.

The Big Pic Forest is currently above minimum balance and it is expected the balance will continue growing in 2014/15, 2015/16 and 2016/17. The Pic River Forest is currently below minimum balance, largely due to the lack of harvest activity over the last few years. NFMC is accepting the unit from the MNRF with the deficit and will begin addressing the shortfall, including by increasing the harvest levels on the unit resulting in more contributions to the trust fund. The MNRF has obligated NFMC to amalgamate the two units, it is expected that the amalgamation will occur in 2019. The deficit on the Pic River will be eliminated through amalgamation since the forecast balance on the Big Pic is higher than the forecast deficit on the Pic River.

NFMC is currently working with the District MNRF to develop an action plan to address the inherited obligations over a reasonable period of time. NFMC will ensure effected stands meet the requirements to be declared free-to-grow. NFMC is developing plans to address the other obligations such as roads, information management and forest management planning. The action plan will cover all types of outstanding SFL obligations and will include: actions required; organization and position responsible; deadline date; and method of tracking progress. NFMC will ensure effected stands meet the requirements to be declared free-to-grow.

NFMC will finance the required activities through a combination of activities funded by the Forest Renewal Trust, application to the Forestry Futures Trust Fund, the roads program and funds received by NFMC as part of its normal operations.

Expenditures, Projected Revenues, Funding Requirements

Expenditures for NFMC began to incur in February 2013 once the official Board of Directors was put in place. Total expenditures (including road maintenance and forest renewal expenses) of \$ 2,619,879 were incurred in 2013/14. The cost of forest renewal is covered by contributions to the Forest Renewal Trust Fund and road expenses are reimbursed through the provincial roads program, and are not part of NFMC's operating expenses. The company's operating costs (excluding roads and renewal costs) for 2013/14 were approximately \$600,000. Expenditures were expected to rise as NFMC transitioned staffing from MNRF and ramps up its own human and financial resources to fulfil its obligations and responsibilities. Total expenditures are estimated at approximately \$1.3 million in 2014/15 and \$1.6 million in 2015/16 for the Big Pic and Pic River management units, reaching \$1.8 million in 2016/17 and beyond once the Nagagami and White River SFLs are transferred to NFMC. Start-up financing from the Forestry Futures Trust's – LFMC Conversion Program will be available to "capitalize" the agency and support its working capital needs during the start-up period until NFMC assumes the SFL's.

Revenues began flowing to the Agency in April 2013 and coincided closely with the issuance of forest resource licences for the Big Pic and Pic River forests by MNRF. In 2013/14, NFMC generated \$449,742 in revenue from administration fees for volume delivered during the year. For 2014/15, NFMC is estimating administration fee charges of \$499,721. The administration fees are calculated on a breakeven basis. Administration fees are designed to cover operating costs related to delivering fibre to NFMC's customers. As volumes increase the administration fee is expected to decrease on a dollar per m³ basis. The admin fee may vary based on product (i.e. no admin fee is currently charged on biomass) or mills (i.e. commitment versus non-commitment holders). The fee charged to the forest industry in 2014/15 was \$1.24 per m³ (the same as 2013/14), in 2015/16 the fee is expected to drop to \$1.06 per m³. The objective is to achieve an administration fee of \$0.75 per m³ by 2017/18 when all units are under NFMC management and operational synergies can be achieved.

NFMC receives the residual stumpage value. The total amount of stumpage received by NFMC in a year is dependent upon the type and volume of forest products delivered. The rates for softwood are different than hardwood and biomass. The stumpage revenues are also impacted by FRI charges deducted. The MNRF charges a fee for the FRI program of \$2.50 per m³ until its funding goals are achieved (usually by October). The higher the provincial harvest level the sooner the FRI program funding target is met. It is assumed that this program will continue and that for a portion of the year NFMC

will be subject to the FRI charge. The stumpage revenue is also determined by the rate charged per m³. The stumpage rate includes a mechanism that adjusts the rate based on market conditions, it is assumed that the rate stays at the minimum level from 2015-2018.

NFMC has agreed with the forest industry that the stumpage revenue it earns will stay consistent with the stumpage matrix for the foreseeable future. NFMC and the industry may negotiate when a new MOA is signed.

Revenues from stumpage are not expected to begin flowing to the Agency until the SFLs are issued for the Big Pic and Pic River forests. Full implementation of the revenue model is expected to begin in 2015/16 and will coincide with the issuance/transition of Big Pic and Pic River SFLs in the first half and the Nagagami and White River at the end of the fiscal year. NFMC expects to generate stumpage revenue of \$1,600,000 in 2014/15 rising to almost \$1,800,000 by 2015/16. These revenues are based on projected annual harvest volumes for all species and products of 525,000 m³ on the Big Pic and Pic River forests in 2014/15 and 680,000 in 2015/16. The volume for the entire management area (Big Pic, Pic River, White River, Nagagami) is estimated at 1.4 million m³ in 2017/18 when the receiving mills have completed their planned capital projects. When NFMC assumes the Nagagami and White River SFL's at the end of 2015/16 it will receive stumpage funds for those forests currently held in trust. The amount received as a capital contribution in 2015/16 is estimated at \$3.5 million, the balance (estimated at \$1,000,000) is expected in 2016/17 after all accounts have been reconciled and any outstanding obligations cleared.

As part of the total revenue noted above, start-up funding of up to \$1.78 million was identified (through FFT funding) in 2013/14 to support the initial capitalization and start-up expenditures of NFMC. Due to the slower than anticipated transition of the SFLs to the Agency and the resulting prolonged redirection of the former CRF stumpage revenues from the NFMC management area into the LFMC Conversion Program account, total funding from the program is projected to increase to approximately \$6 million by 2015/16. This total reflects the revenue that the Agency would have received directly if the SFLs would have been issued as per the original schedule. NFMC completed a revised application to MNRF and the Forestry Futures Committee in 2014 to ensure the funding is made available to bridge NFMC operations while it puts in place the necessary mechanisms to implement its intended revenue model. A further application to the Forestry Futures Committee may also be required to access any additional funding that may accrue in the account in 2015/16 until the SFLs are assumed.

Although the funds have been set aside in a trust fund they will be provided to NFMC when the licenses are issued or transferred. Stumpage revenue from the White River and Nagagami SFL's are separated from the Big Pic and Pic River and will be available to NFMC when it assumes control over those units. It is expected that the value in the stumpage accounts for those forests will be approximately \$3.5 – \$4.5 million when transferred to NFMC in 2015/16.

Table 8 summarizes the projected revenues, expenses and net income for NFMC as they relate to the harvesting targets outlined in Table 7 above. Further details regarding the forecasts can be found Appendix II.

Table 8. Summary of NFMC projected revenues, expenditures and net income

	2014/15	2015/16	2016/17	2017/18
Revenue	\$4,334,195	\$4,884,231	\$7,164,673	\$8,543,357
Expenditures	\$3,197,607	\$4,016,584	\$4,424,642	\$4,701,195
Excess Revenue Over Expenses*	\$1,136,588	\$867,647	\$2,740,031	\$3,842,162
CRF Funds Segregated Received		\$3,500,000	\$1,000,000	
Operating Reserve (cumulative)**	(\$300,000)	(\$2,400,000)	(\$3,600,000)	(\$4,800,000)
Strategic Initiatives (annual)***	(\$400,000)	(\$1,500,000)	(\$1,750,000)	(\$2,000,000)
Available Operating Funds	\$2,098,050	\$2,865,697	\$3,655,728	\$4,297,890

* Net Income does not include contributions to an operating reserve or other strategic initiatives that may be pursued by NFMC
 ** Projected operating reserve funding only; actual amount will vary subject to specific cash flow /operational needs
 ***Allocation not included in financial statements; for earmarking purposes only, strategies/programs to be developed by NFMC

It is important to note that the above projections of Net Income do not include contributions to an operating reserve or other strategic initiatives that the corporation may undertake to further achievement of its objects. Funding for these initiatives would need to come from Net Income as indicated in the table above and further described in the text below.

In accordance with its approved revenue model, NFMC is required to establish an operating reserve to ensure the Corporation has sufficient cash flow to manage its responsibilities and business needs during periods of reduced demand or unexpected shifts in the areas wood markets. Contributions to the operating reserve would need to come from Net Income and NFMC expects to be in a position to have sufficient operating funds available to begin establishing this operating reserve by the end of the 2014/15 fiscal year. The size of the operating reserve will vary based on the business needs of the corporation and will need to be flexible to accommodate changes in the business cycle and/or financial needs of the corporation. Based on the current cash flow projections it is possible that the agency could be in a position to have \$4,800,000 set aside in its operating reserve by the end of the 2017/18 fiscal year. This amount represents approximately 3 years of operating costs and would also allow the corporation some flexibility to demonstrate its ability to manage/fund any outstanding obligations that it may agree to as part of the SFL transition discussions with the MNRF and current licence holders (i.e. the corporation may want to consider utilizing a portion of this reserve to deal with outstanding obligations or obligations under its SFLs once they are issued/transferred).

In addition, an annual allocation of funding has been earmarked beginning in 2014/15 to support the development of strategic initiatives for the corporation consistent with its objects. These strategic initiatives are still in development as previously described in Section 3.0 above and could, as an example, include opportunities to fund forest research and development, bursaries, cultural activities, educational/capacity building programs and support opportunities for local and

aboriginal economic development. Please refer to Section 12 below for some detailed examples of initiatives currently being explored by the agency.

Outstanding SFL Obligations

NFMC will assume the responsibility for forest renewal including any past, present and future silviculture obligation associated with the Big Pic and Pic River forests. NFMC has reviewed the information from the MNRF and developed an estimate of the silviculture obligation. NFMC will work to ensure that the effected stands meet the minimum standards to be declared FTG. The analysis by NFMC indicated that the primary challenge facing the agency is the backlog in FTG surveys. This analysis was supported by the findings of the recent Big Pic IFA that found significant shortfalls in record keeping during the period before NFMC assumed control of the units. NFMC has started the process to identify high value areas for the next free-to-grow program.

During the FTG surveys, FRI updates, and the company’s ground work NFMC will identify areas that require new or additional treatments to reach the desired forest condition. The management team is developing a strategy to address the areas that require future treatment.

The plan involves approximately 2 years of assessment to determine the silvicultural obligation – identifying the areas that require treatment and developing the appropriate prescriptions. The treatment regime is expected to be applied over 5 years. NFMC and the MNRF have agreed to a revised minimum balance that will be in place from 2016/17 to 2020/21 while the silviculture obligation is being addressed. NFMC will use the results of the 2019 IFA as the time to reassess the silviculture obligation plan (i.e. identify additional treatments or to develop further plans for future years).

The MNRF has provided a draft Appendix D with a minimum balance schedule for 2016/17 to 2020/21 (Table 9).

Table 9. Draft Minimum Balance Schedule

Date	Big Pic Min Balance	Pic River Min Balance	Total
3/31/2017	559,580	342,620	902,200
3/31/2018	1,119,160	685,240	1,804,400
3/31/2019	1,678,740	1,027,860	2,706,600
3/31/2020	2,238,320	1,370,480	3,608,800
3/31/2021	2,797,900	1,713,100	4,511,000

NFMC has access to sufficient funding to ensure successful implementation of the silviculture strategy. NFMC will use a combination of forest renewal funds, Forestry Futures Trust and stumpage revenues to address the silviculture obligation.

NFMC management has reviewed the silviculture practices (including when the area was under MNRF management) and identified a number of shortcomings. In response, NFMC has developed new strategies to ensure that the renewal program will meet FMP objectives (i.e. timely treatment of harvest blocks, FTG surveys).

NFMC currently does not have enough information to estimate the silviculture obligation on the Nagagami and White River Forests and will work with the existing SFL holder to assess silviculture work required as part of the transition of the SFLs.

Capital Expenditures

All capital expenditures are fully funded from NFMC start-up funding and/or NFMC revenues generated from the sale of wood from the NFMC management area. Past and planned capital expenditures are presented in Table 10 below. In 2013/14 the company spent \$22,000 on computer equipment and software, and the amount for 2014/15 is approximately \$125,000 in capital expenditures associated with establishing the office in Marathon and included expenditures for office and computer equipment and a contribution towards necessary leasehold improvements. For the current planning horizon, NFMC is budgeting ~\$200,000 to \$300,000 annually for capital associated with the Corporations needs for computer, office equipment and vehicles/other equipment to meet its operational needs.

Table 10. NFMC Capital Expenditures

Capital Item	\$(000s)			
	2014/15	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Roads & Bridges	-	\$100,000	\$150,000	\$150,000
Office Equipment	\$84,136	\$50,000	\$50,000	\$50,000
Leasehold Improvements	\$20,000			
Computer Equipment	\$33,774	\$25,000	\$50,000	\$50,000
Vehicles/Equipment	-	\$25,000	\$50,000	\$50,000
Total	\$137,910	\$200,000	\$300,000	\$300,000

In the future, all capital expenditures would be fully funded from NFMC revenues. As NFMC assumes a more active role in managing the forests in 2015/16 and 2016/17 additional capital equipment will be required to support infrastructure (i.e. bridges), operations (i.e. ATV/UTV, snow machines, etc.), and information management (i.e. software, hardware, peripherals).

Staffing

The General Manager (GM), hired by and reporting to the Board, is responsible for the day-to-day management of the NFMC. The GM is responsible for development and implementation of the operational plan for the agency and would have the flexibility to

determine whether delivery would be done by in-house staff or through service providers based on its individual business conditions.

Staff Numbers:

NFMC has six professional staff hired on a permanent basis, and one staff member on contract (Operations Manager) and one function contracted to a local harvesting operation (Forestry Coordinator). The permanent positions include:

- General Manager
- Finance Manager
- Administrative Assistant/Office Coordinator
- Forestry Planner
- GIS Specialist
- Silviculture Forester

NFMC may require staff temporarily to set up the office and accounting systems, identify computer resources, arrange for data transfer. Contract staff may be required to assist with agency business requirements to allow issuance/transfer of the applicable sustainable forest licences. In the long term, it is expected that NFMC will require additional staff to support the activities of forest management, marketing and selling of wood, and forest compliance in preparation for the SFLs being issued to NFMC.

NFMC will determine the appropriate mix of permanent and contract staff to be flexible enough to meet varying forest management planning and operational demands of the applicable forest management units at different times in the forest management planning cycle. This flexibility will also be an important tool for the General Manager to manage start-up costs and operational risks associated with the current business climate in the NFMC management area.

11.0 Information Technology/Electronic Service Delivery Plan

NFMC is exploring the implementation of a wood tracking and inventory system to support and enhance information, tracking and control of Crown resources moving from its operations. NFMC has initiated discussions with a provider of an existing software program used by other large forestry operations in the Province, including one of its main harvesting contractors and plans to move forward with implementation of an appropriate wood tracking and inventory system in 2015/16.

NFMC is outsourcing much of its forest management and geographic information system (GIS) IT needs from established service providers. Going forward, NFMC will be bringing most GIS services in house and has hired a GIS specialist at the end of 2014. In 2015/16,

NFMC will be undertaking a process to determine its future IT needs as they relate to the company's longer term organizational structure and core business activities.

12.0 Initiatives Involving Third Parties

Currently, the financial model does include limited expenditure allocations for initiatives involving third parties during the planning period. Expenditures of approximately \$20,000 annually have been identified in 2015/16 and beyond to support public relations, advertising for wood sales, and other initiatives consistent with its mandate. It is expected that NFMC would use this allocation to enter into commitments with third parties to support activities that further its objects. Some examples of these commitments include forest research and development, bursaries, cultural activities and educational programs.

In addition, an annual allocation of funding has been earmarked to support the development of strategic initiatives for the corporation consistent with its objects. These strategic initiatives are still in development as previously described in Section 3.0 above and could, as an example, include opportunities to fund forest research and development, bursaries, cultural activities, educational/capacity building programs and support opportunities for local and aboriginal economic development.

NFMC has developed a draft policy to help inform its investments in what it calls strategic initiatives. The Strategic Initiatives Policy allows corporations in the NFMC management area to respond to their economic opportunities and challenges according to their individual priorities, and to pursue regional collaboration to advance common goals in order to strengthen the forest sectors competitive advantages.

Other initiatives involving third parties that NFMC is pursuing include:

Forest Certification

Obtaining forest certification has been identified as a priority for NFMC in order to support the sale and marketing of available wood supply from the management area. NFMC's key customers have indicated a strong desire to have certified wood available under one or both of a Forest Stewardship Council (FSC) or a Sustainable Forest Initiative (SFI) certification system. NFMC is currently FSC certified on the Big Pic (certified in 2014/15) and the certification process on the Pic River forest will be started in the future. NFMC will review the certification plan for the White River and Nagagami Forests, both are currently certified. An allocation of approximately \$125,000 per year has been identified to support certification efforts on the Pic River as well as \$30,000/forest per year allocation for forest certification maintenance activities on the Big Pic.

Local and Aboriginal Community Development Initiatives

The NFMC model was initiated and developed in collaboration with local and Aboriginal communities with the understanding that the Corporation's objects would support the development of local and Aboriginal economic development opportunities within the management area. While no specific initiatives have been identified an allocation of \$250,000 in 2015/16 has been earmarked to support any further strategies that may be developed, NFMC intends to develop necessary strategies and explore opportunities to move forward with local and Aboriginal economic development opportunities as they arise.

Negotiation of SFL Obligations with MNRF (Big Pic and Pic River forests) and Current SFL holders (Nagagami and White River forests)

Currently, there are outstanding obligations on each of the forests in the NFMC management area related to silviculture, roads, gravel pits, etc. These obligations and the extent to which NFMC will take these on, or strategies which NFMC may put in place to address, are being discussed with MNRF. NFMC has made a proposal to the MNRF to address the obligation on the Big Pic and Pic River Forests that appears to have been accepted in principle. The exact details have not been finalized. NFMC has also entered into discussions regarding the Nagagami & White River Forests however no decision has been made regarding outstanding obligations.

The proposal by NFMC would see the majority of the funding come from the company's contributions to the Forest Renewal Trust Fund with other sources including Forestry Futures Trust Fund and NFMC's operating revenues. The first part of the program will be to determine the exact extent of the obligation and develop a plan to address it. The current budget does not include a specific expenditure or allocation for the assumption of these obligations, NFMC will need to carefully assess the impact of any outstanding or future obligations on its financial plan going forward.

Once the SFLs are issued/transitioned to NFMC, the corporation will follow the requirements outlined in the applicable forest management plan(s) and consistent with any approved compliance plan(s) that may be in place when conducting its forestry operations. These costs have been incorporated into NFMCs forecasted budget of operating expenditures for the planning period.

Forest Resource Inventory Project

NFMC is working to address shortcomings in the FRI. NFMC has purchased an ArcView licence for use by company staff and the silviculture tech recently hired is also trained in GIS. NFMC has contracted work to correct FRI typing, depletions, yield data to create an accurate FRI and useful planning inventory. Significant effort is required to bring the FRI in line with the planning requirements.

NFMC had discussions with CRIBE (Centre for Research and Innovation in the Bio-economy) related to a partnership opportunity for an enhanced Forest Resources Inventory project on the NFMC management area. While no specific commitments have been made by NFMC in this regard, a partnership opportunity may be considered in the future to move forward on this opportunity.

13.0 Implementation Plan

This business plan identifies the staged development and transition of SFLs on the four management units to NFMC. Two management units (Big Pic and Pic River) are currently being managed by NFMC through Enhanced Forest Resource Licences (EFRL) issued by MNRF while the other two (White River and Nagagami) continue to be managed by the existing SFL companies.

NFMC is continuing to negotiate the issuance of the SFLs for the Big Pic and Pic River forest with the MNRF. In this regard, an SFL Business plan was submitted to MNRF in July of 2013 and NFMC expected SFLs to be issued by the spring of 2014. This target date was not achieved, and an updated SFL Business plan was submitted to MNRF November 2014 and discussions are underway related to the outstanding obligations on the two forests with a new target date of 2015/16. Once the parameters to secure the Big Pic and Pic River SFLs are established, NFMC will complete negotiating the transfer of the White River and Nagagami SFLs with White River Forest Products and Nagagami Forest Management Inc. it is anticipated to be completed by the end of 2015/16, at which time NFMC will become responsible for undertaking the forest management activities on those forests.

Discussions on both the White River and Nagagami SFLs started in 2014 and have been ongoing since. NFMC management has met with representatives from White River and Nagagami on several occasions in various locations (White River, Hornepayne, Toronto, etc.). Initial discussions regarding the transfer of the White River and Nagagami SFL's have been positive as the industry has identified the advantages of working with NFMC. Negotiations are going to take some time as the current SFL holders have made specific requests in exchange of the SFLs being transferred. If discussions remain positive and the NFMC is able to address the SFL holders concerns, an agreement should be reached in the next couple of months.

NFMC will be moving forward with the development and implementation of the 2015/16 Annual Work Schedule which includes:

- Planning – AWS, staff meet with operators, negotiate price with mills, meet with silviculture contractors;
- Implementation – harvest activities, compliance, monitoring activities, silviculture;
- New initiatives and how they fit in – e.g. with first nations, training youth programs, etc.

14.0 Communication Plan

NFMC is targeting to maintain a medium profile for communications activities over the planning period, with a specific emphasis on relationship building during the 2015/16 fiscal year.

The Agency has identified the following communication objectives to support this plan:

- Provide accurate & timely communication for customers, suppliers, Board & staff
- Enhance awareness through stakeholder engagement
- Anticipate and mitigate potential issues including local and Aboriginal economic development concerns

Key messages to support these objectives include:

- NFMC is open for business and our wood is competitively-priced
- Working with our industry partners is key to creating a prosperous environment
- Maximizing value from the forest
- Committed to economic development opportunities to Aboriginal communities
- Partnerships will lead to innovative initiatives

A summary of proposed communication tactics and products to be implemented by NFMC beginning in January 2014 is provided in Table 11 below.

Table 11. Proposed communication tactics and products

Event	Communication Tactics/Products	Target Date
Announcement of permanent General Manager	- News release from the Board - Letter/email to stakeholders, MNRF and staff - Website update with photo	Completed
First year anniversary, combined with office grand opening	- Invitation to Minister to attend open-house celebration - Invitation to stakeholders and staff - MNRF news release (Minister's announcement) or NFMC Board photos/visuals	Completed
2014/15 Annual Report	- News release highlighting milestones - Website	May 2015
Website	- NFMC related news items as they arise - Procurement/tenders - Job opportunities - Notes from Board meetings (summary of minutes only) - Annual report - Policies - Companies/suppliers web links	Ongoing
Branding – logo	- News release (opportunity to raise awareness, profile and brand recognition) - Email/memo to staff, MNRF and stakeholders - Add to website and all relevant material e.g. letterhead, templates, business cards, signs, etc.	Completed
Stakeholder engagement	- Stakeholder Advisory Committee - Local/regional participation through speaking opportunities (eg. Chambers of Commerce, town/FN council meetings, Community events, etc) - Observers at Board meetings	Ongoing
MNRF	- Regular updates with key staff - Regular meetings with MPPs and Minister	Ongoing

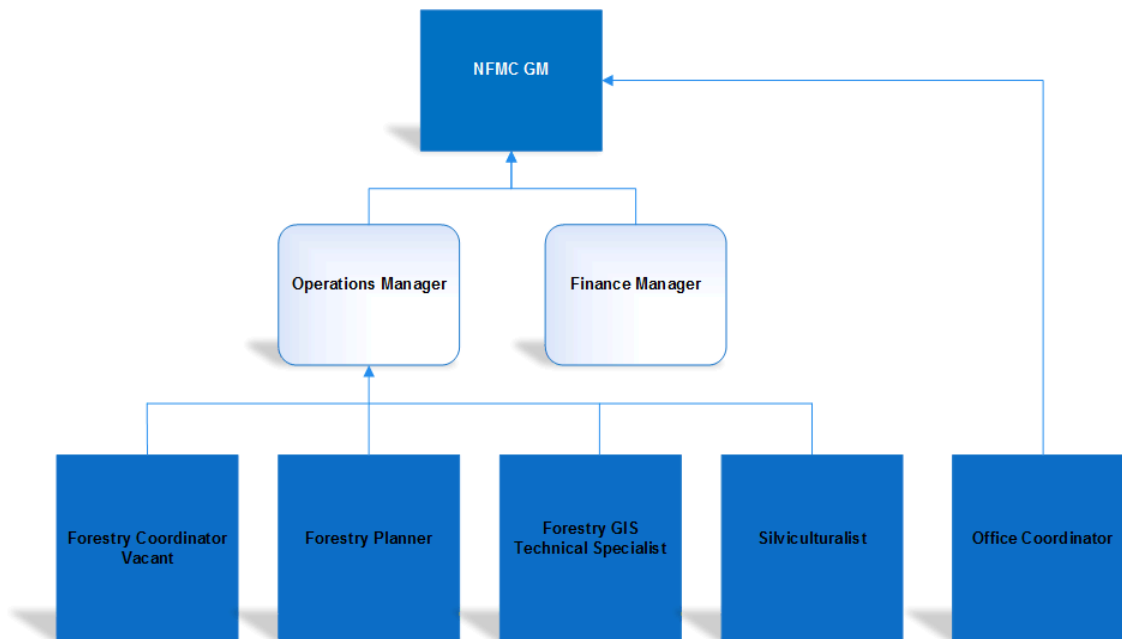
Internal communications	- Regular staff meetings/emails - Staff recognition	Ongoing
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15.0 Organizational Chart

NFMC developed a comprehensive compensation strategy which was approved by the Minister in February 2014. This strategy allowed NFMC to move forward with the hiring of permanent staff for its Marathon office. Beginning in October of 2013, NFMC staff began to assume the roles and responsibilities of the MNRF support staff. In February 2014, after a lengthy and thorough recruitment process, the NFMC hired Carmelo Notarbartolo as its first permanent General Manager.

The NFMC is still growing and is in the process of determining its employment needs to support the hiring of additional operations and administrative employees in the 2014/15 fiscal. The current NFMC structure is reflected in Figure 2. It is expected additional employees and perhaps office locations may be required when NFMC assumes responsibility for all four SFL's. In addition, specific tasks (i.e. forest management plan preparation) may require additional staff on a permanent or temporary basis.

Figure 2: Organizational Chart (at March 2015)



APPENDIX I - NFMC FORECAST FINANCIAL SUMMARY

Projected Statement of Earnings

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	ACTUAL	ACTUAL	FORECAST	FORECAST	FORECAST
Administration Fees	\$ 449,742	499,721	641,300	902,400	1,141,500
Stumpage Charge	\$ -	-	1,814,750	3,721,216	4,799,710
LFMC Conversion Program	\$1,780,000	1,600,000	-	-	-
Total Revenue	\$2,229,742	2,099,721	2,456,050	4,623,616	5,941,210
Expenses					
Automobile	\$ 19,644	30,986	114,380	125,818	138,400
Amortization	\$ 7,212	13,541	62,066	109,652	147,722
Bank Charges	\$ 1,910	21,696	1,500	1,650	1,815
Board of Directors	\$ 78,399	55,821	51,120	56,232	61,855
Contractor Costs	\$ 17,012	158,417	204,028	224,431	246,874
Forest Certification	\$ 120,401	21,000	155,000	170,500	187,550
Forest Management	\$ 57,124	203,670	140,890	154,979	170,477
Human Resources	\$ 64,686	31,005	59,400	65,340	71,874
Insurance	\$ 8,100	25,085	18,000	19,800	21,780
License	\$ 1,424	3,854	18,922	20,814	22,895
Miscellaneous	\$ 2,535	16,012	12,000	13,200	14,520
Office	\$ 33,046	41,274	32,400	35,640	39,204
Office Lease	\$ -	7,788	31,200	34,320	37,752
Professional Fees	\$ 26,425	44,034	37,000	40,700	44,770
Public Relations	\$ 14,821	7,714	17,426	19,169	21,085
Road Maintenance	\$ (4,913)	28,134	-	-	-
Wages & Benefits	\$ 120,454	530,991	633,072	791,340	870,474
Total Expenses	\$ 568,280	1,241,022	1,588,403	1,883,585	2,099,048
Operating Income	\$1,661,462	858,699	867,647	2,740,031	3,842,162

Non-Operating Items Revenue

	2013-14	2014-15	2015-16	2016-17	2017-18
	ACTUAL	ACTUAL	FORECAST	FORECAST	FORECAST
Forest Renewal Activities	\$605,557	\$383,701	\$393,181	\$506,057	\$567,147
Forest Access Roads	\$1,446,042	\$1,850,773	\$2,035,000	\$2,035,000	\$2,035,000
Total Non-Operating Items Revenue	\$2,051,599	\$2,234,474	\$2,428,181	\$2,541,057	\$2,602,147

Non-Operating Items Expenses

Forest Renewal Activities	\$605,557	\$105,812	\$393,181	\$506,057	\$567,147
Forest Access Roads	\$1,446,042	\$1,850,773	\$2,035,000	\$2,035,000	\$2,035,000
Total Non-Operating Items Expenses	\$2,051,599	\$1,956,585	\$2,428,181	\$2,541,057	\$2,602,147

Non-Operating Income	\$0	\$277,889	\$0	\$0	\$0
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Proposed Operating Reserve (cumulative)	\$0	\$300,000	2,400,000	3,600,000	4,800,000
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Proposed Strategic Initiatives (annual)	\$0	\$400,000	\$1,500,000	\$1,750,000	\$2,000,000
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Nawiinginokiima Forest Management Corporation

Projected Statement of Financial Position

Fiscal Years 2014/15 to 2017/18

	2014-15	2015-16	2016-17	2017-18
Current Assets				
Cash	\$ 1,328,617	\$ 2,761,806	\$ 3,049,426	\$ 3,355,622
Accounts Receivable	\$ 3,820,408	409,342	770,603	990,202
Inventory	\$ 400,000	-	-	-
Prepaid Expenses	-	-	-	-
	<u>\$ 5,549,025</u>	<u>3,171,148</u>	<u>3,820,029</u>	<u>4,345,823</u>
Capital Assets	\$ 159,546	\$ 359,546	\$ 659,546	\$ 959,546
Less Depreciation	<u>\$ (38,199)</u>	<u>(100,265)</u>	<u>(209,917)</u>	<u>(357,639)</u>
	\$ 121,347	259,281	449,629	601,907
	<u>\$5,670,372</u>	<u>\$3,430,430</u>	<u>\$4,269,658</u>	<u>\$4,947,730</u>
Obligations and Net Assets				
Current obligations:				
Accounts payable & accrued obligations	\$ 2,872,322	\$ 264,734	\$ 313,931	\$ 349,841
Net assets (including operating reserve*):	\$ 2,798,050	\$ 3,165,696	\$ 3,955,727	\$ 4,597,889

* The size of the operating reserve could vary based on the business needs of the corporation and will need to be flexible to accommodate changes in the business cycle and/or financial needs of the corporation.

Nawiingnokiima Forest Management Corporation

Projected Statement of Cash Flows Fiscal Years 2014/15 to 2017/18

	2014/15	2015/16	2016/17	2017/18
Cash flows from operating activities				
Excess revenues over expenses	\$1,136,588	\$867,647	\$2,740,031	\$3,842,162
Amortization of capital assets	\$30,986	\$62,066	\$109,652	\$147,722
	\$1,167,574	\$929,712	\$2,849,684	\$3,989,884
Change in non-cash working capital				
Accounts receivable	(\$1,254,389)	\$3,411,066	(\$361,261)	(\$219,599)
Inventory				
Prepaid expenses				
Accounts payable & accrued obligations	\$1,486,026	(\$2,607,588)	\$49,197	\$35,910
	\$231,637	\$803,478	(\$312,064)	(\$183,689)
Cash flows from financing activities				
Capital contributions received	\$0	\$3,500,000	\$1,000,000	\$0
	\$0	\$3,500,000	\$1,000,000	\$0
Cash flows from investing activities				
Acquisition of capital assets	(\$137,910)	(\$200,000)	(\$300,000)	(\$300,000)
Proceeds on sale of capital assets	\$0	\$0	\$0	\$0
Operating reserve	\$0	(\$2,100,000)	(\$1,200,000)	(\$1,200,000)
	(\$137,910)	(\$2,300,000)	(\$1,500,000)	(\$1,500,000)
Cash flow from other activities				
Strategic Initiatives	(\$400,000)	(\$1,500,000)	(\$1,750,000)	(\$2,000,000)
Strategic Initiatives repayments	\$0	\$0	\$0	\$0
	(\$400,000)	(\$1,500,000)	(\$1,750,000)	(\$2,000,000)
Increase (decrease) in cash	\$861,301	\$1,433,190	\$287,620	\$306,196
Cash, beginning of year	\$467,315	\$1,328,616	\$2,761,806	\$3,049,426
Cash, end of year	\$1,328,616	\$2,761,806	\$3,049,426	\$3,355,622

APPENDIX II - NFMC “Key Financial Assumptions”

Wood Sale Volumes:

- Projected based on a modest recovery in utilization from the currently depressed levels in the management area and is predicated on the forecasted strengthening of key forest product markets.
- Volume forecasts provided by representatives from primary forest product mills based on planned operations and capital investments for 2015/16 and beyond.
- Assumes that PRDC’s planned harvest operations are in place during 2015/16.
- The ability of NFMC to meet the volume projections relies largely on the continued operation of three to four main customers including the AV Terrace Bay pulp mill.
- Volume for 2014/15 & 2015/16 from Pic River & Big Pic only, volume for 2016/17 from all SFL’s.

Sales Revenue:

- Revenue factors based on the current rates being remitted to the Consolidated Revenue Fund (under CFSA S. 31).
- Administration fee for 2014/15 based on \$1.24 per m³, admin fee is designed to breakeven against certain operating expenses and will vary on a \$/m³ basis yearly (based on volume and operating expenses). Admin fee for 2015/16 projections is \$1.06, and is expected to drop in 2016/17, 2017/18 as delivered volume increases.
- Revenue projections are based on a close approximation of the current cost of wood to industry.
- Revenue for 2014/15 & 2015/16 from Pic River & Big Pic only, revenue for 2016/17 from all four SFL’s.

Silviculture Charges:

- Invoices from contractors sent to Forest Renewal Trust for direct contractor reimbursement.
- Assumes a 10% recovery of total costs from the Forest Renewal Trust associated with NFMC delivery and management of the silviculture program (applied in Admin Fee calculation).
- Assumes the majority of renewal activity covered by direct contractor reimbursement from Forest Renewal Trust Fund, such activities are not recorded as revenue or expenses.

Forest Resource Inventory:

- Reduction in former CRF fees received by NFMC, as per current provincial approach that would see province recover this money through an increase in the FFT charge for a portion of the year. Model assumes the province collects the \$10 million by end of September & the charge would revert back to standard FFT rates effective October 1.

Provincial Roads Program:

- Assumes program continues beyond 2016/17 and NFMC receives reimbursements from provincial road program for costs incurred.
- Assumes a direct flow through to harvesters and mills for road construction and maintenance costs incurred to harvest and haul wood.
- NFMC incurs minor costs related to road maintenance (i.e. beaver removal).

Start-Up Financing:

- Assumes availability of up to \$1.6 million in the Forestry Futures Trust to be accessed by NFMC in 2014/15 following a pre-determined application process.
- Funding would be non-repayable and treated as equity.

Forest Certification:

- Forest certification efforts undertaken beginning on the Big Pic Forest in 2013/14, it is planned to commence on the Pic River in 2015/16.

Staffing:

- NFMC hired support staff to support operations followed by two additional staff and a full time General Manager. Additional staff/contract service providers may be hired as required (ie silviculture supervision, GIS analyst). Additional staff may be required to coincide with transition of the SFLs to NFMC.

Operating Reserve:

- Projections of Net Operating Income do not include contributions to an operating reserve.
- The estimated cumulative operating reserve will be established from available funds not immediately required for operations.

Strategic Initiatives:

- Expenditures on strategic initiatives identified in Sections #10 and #12 are not included in the current projections and would need to be funded out of excess revenues identified above.

APPENDIX III - NFMC SILVICULTURE OBLIGATION TREATMENT PLAN

It is anticipated that the Big Pic and Pic River units will be amalgamated in 2019 and the new unit will have a single minimum balance requirement. The projections developed by NFMC for the MNRF show that NFMC will meet the minimum balance requirements in all years except at March 31, 2020 where a small deficit (less than \$20,000) is projected. The projections do not include any funding from sources such as Forestry Futures Trust. Should NFMC experience that shortfall it may use its internal funds to cover the deficit (i.e. stumpage revenue or operating reserves).

The NFMC operations and GIS staff will support the field program to make sure it is implemented effectively and efficiently. NFMC staff currently includes an Operations Manager, Planning Forester and Operations Forester; the company has recently added a Silviculture Supervisor and GIS Analyst. NFMC has worked to establish relationships with silviculture contractors and will draw upon their expertise to complete the projects. In addition, NFMC is working with other SFL's in the region to jointly plan renewal activities, specifically tree planting, site preparation, photogrammetry and aerial spray, to take advantage of economies of scale.

The majority of the funds required will come from revenues generated through the company's ongoing operations. FTG work is an eligible expenditure and should be covered by the contributions to the forest renewal trust fund. The current renewal rate for conifer is \$5/m³ for the Big Pic and Pic River. This year NFMC is expected to generate approximately \$2.5 million to the forest renewal trust accounts. The projected contributions are expected to approach \$3 million as the harvest levels on the Big Pic and Pic River increase. Certain projects (i.e. those required to increase productivity) may be eligible for funding by the Forestry Futures Trust.

Pic River forests are primarily dominated by conifer although there is a large component of mixed wood stands. The silviculture strategy has been aimed at increasing the productivity of the forest. An analysis by NFMC indicates that this strategy has largely been maintained even through the recent economic downturn. NFMC plans to continue this strategy with the planting stock already in place for the upcoming season. As part of the silviculture review NFMC will develop options to treat/retreat stands that do not meet the planned renewal objectives.

The forecast silviculture program is estimated at approximately \$2.5 million per year to meet the forest management plan objectives. At the current rate the unit will generate approximately \$3 million per year in contributions to the forest renewal trust. The excess funding will allow NFMC to address the silviculture obligation. Once the historic obligation is addressed NFMC will review the silviculture program and renewal rates to determine future strategies. Based on forecast treatment requirements and harvest levels the breakeven renewal rate is approximately \$3.50/m³ for softwood. NFMC may set the rate above breakeven in order to fund activities required to address the silvicultural obligation.

Currently, the Big Pic account balance is above minimum balance while the Pic River is below minimum balance. The Pic River trust account balance has been impacted by low levels of harvest on the unit, NFMC is working with AV Terrace Bay and Pic River FN Development Corp to increase harvest opportunities on the unit. It is expected that starting in 2015/16 new operations will commence on the Pic River as Pic River Development Corp has purchased equipment that will be delivered during the year. NFMC and MNRFB have had discussions regarding addressing the silviculture obligation that will include a strategy to bring the account to minimum balance over an agreed upon period. It is expected that as the backlog of silviculture is addressed and harvest rates increase the funds' balance will increase so that minimum balance is achieved. In addition, NFMC may draw upon its operating reserves to address periodic shortfalls.

NFMC has already improved silviculture performance on the Big Pic and Pic River Forests compared to the last few years. NFMC plans to continue improving silviculture. The 2014/15 and 2015/16 programs are presented in Table III-1 and Table III-2.

Table III-1. Estimated Silviculture Program Big Pic Forest

Treatment	2014/15	2015/16
Mechanical Site Preparation (ha)	1,726	2,800
Angle Blading (ha)	536	0
Stock Production (seedlings)	3,100,000	3,250,000
Planting (trees)	3,265,112	3,100,000
Seed Collection (hL)		187
Aerial Seeding (ha)		
Aerial Spray (ha)		1,950
Supplemental Aerial Photos (ha)	15,988	20,903
Free-to-grow Survey (ha)		75,000

Table III-2. Estimated Silviculture Program Pic River Forest

Treatment	2014/15	2015/16
Mechanical Site Preparation (ha)	705	420
Angle Blading (ha)		
Stock Production (seedlings)	750,000	1,000,000
Planting (trees)	1,021,088	750,000
Seed Collection (hL)		62
Aerial Seeding (ha)		
Aerial Spray (ha)		650
Supplemental Aerial Photos (ha)	850	2,559
Free-to-grow Survey (ha)		25,000

Silvicultural Obligation Plan

The MNRF through their analysis has indicated a silvicultural obligation summarized in Table III-3. The estimated current Silviculture obligation (cost and hectares) was quantified by MNRF Wawa District using the status of silvicultural treatment for all outstanding depletions on the Forests. This includes area for the period up to and including the 2012 field season and incorporated renewal and maintenance activities forecasted for 2013-14.

Table III-3. MNRF Estimate of Silvicultural Obligation

Working Area	Estimated Area	Estimated Cost
Pic River Ojibway	37,289	\$677,781
Black River	14,569	\$678,788
Big Pic	81,977	\$5,448,508
TOTAL	133,835	\$6,805,077

NFMC started the 2 step process to update, verify and understand the total area identified in Table III-3 during the summer of 2014. NFMC believes the estimated cost of the silvicultural obligation in Table III-3 to be substantially less than \$6,805,077, it is known, through preliminary mapping and knowledge of the forest, that some of these areas are FTG and are currently greater than 25 years old with growing forests.

Step A – Verify Area

NFMC has been working with MNRF since the fall of 2014 to review the entire area that is considered potential silvicultural obligation of the total land base. The verification process is a multi-step process that is planned to be completed by November 2016 (or sooner):

1. Review silviculture obligation maps produced (2014) - maps include treatment, depletion year and depletion FU. Determine if any area missing or incorrect on maps (confer with industry partners and past managers [during period in question]).
2. Stratify FTG areas pre-2009 and post-2009. Compare against new FRI interpretations on identified silviculture obligation. Also include any oversight and produce new maps where necessary.
3. Create summary tables stratified by depletion year, FMP FU, SGR, treatment (artificial, natural or no treatment), FTG year, and current stand description.
4. Review historical paper and digital silviculture records, and MNRF Competition Survey 2011 report.
5. Determine balance of area identified as NSR or silviculture obligation. Update maps and summary table based on above steps.
6. Present map and summary table products to MNRF for review and determination of assessment methodology and further stratification required to meet FTG reporting requirements;
7. Develop plan to address results of meeting with MNRF. Plan to include combination of joint MNRF & NFMC aerial and visual survey, and on-the-ground surveys for FTG or establishment (treatment verification);
8. Final report summarizing results of surveys including maps and next steps. Report to form part of the 2015-2016 Annual Reports for the Big Pic and Pic River Forests.

Step B - Plan to Treat Silvicultural Obligation

Once the silvicultural obligation has been clearly defined a portion of the area will be declared FTG i.e. it meets the FTG standard without any further treatments.

The plan to address the silvicultural obligation area includes 1) treating areas that have not been treated and should be treated based on FU and site condition and 2) will be incorporated into the normal silviculture operations over an estimated period of 5 years or sooner. The time required to treat any area will be dependent on the ability to use cash from the renewal trust accounts for each forest. For some silvicultural obligation NFMC proposes:

1. to draw down the renewal funds within the account to the adjusted lower minimum balance (see Table 9) in the initial years of the new SFL to complete

treatments of silvicultural obligation for a 5 year period i.e. any areas that require retreatment will be dealt with within 5 years;

2. Use the period of 5 years to establish the future minimum balance (see Table 9). If the NFMC can increase harvest levels from their current levels this objective could be completed sooner;
3. Access additional renewal funding sources such as Forestry Futures Trust to treat identified areas for eligible activities (e.g. increase productivity).

APPENDIX IV - NFMC COMPENSATION STRATEGY

Ministry of Natural Resources

Ministère des richesses naturelles

Forest Tenure and Economics Branch

Direction de la tenure et de l'économie
forestières

Roberta Bondar Place
70 Foster Drive
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MNR4885DRC-2014-10

March 7, 2014

Mr. Daryl Skworchinski
Nawiinginokiima Forest Management Corporation
P.O. Box 1479, #5, Highway 17
Marathon, ON
P0T 2E0

Dear Mr. Skworchinski:

Thank you for submitting your proposed compensation package for Nawiinginokiima Forest Management Corporation (NFMC).

You will be pleased to know that the Minister approved NFMC's initial compensation strategy on February 18, 2014.

The Minister's approval includes the condition that the merit increases and incentive awards are not to be implemented for NFMC employees until the constraint on the salaries of non-unionized employees in the OPS is lifted.

I believe NFMC's compensation strategy will provide the flexibility to hire competent and experienced staff to ensure NFMC's success.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Faye Johnson", written over a horizontal line.

Faye Johnson R.P.F.
Director
Forest Tenure and Economics Branch

c: Carmelo Notarbartolo, General Manager, NFMC
Nancy Houle, Sr. Forestry Advisor, MNR

NAWIINGINOKIIMA FOREST MANAGEMENT CORPORATION

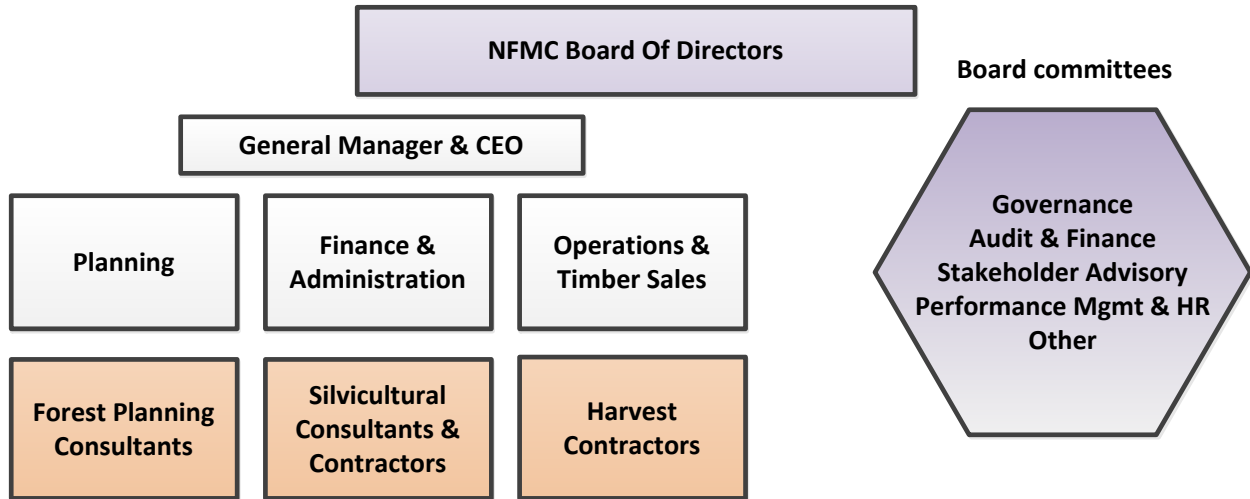
COMPENSATION STRATEGY

As a Crown Agency NFMC is required to develop a Compensation Strategy that provides an overview of the structure of the Corporation, pension and benefit allowances, wages and incentive programs. The submission of this Strategy addresses that requirement as well as requirements around general manager remuneration outlined in the Forest Tenure and Modernization Act.

Nawiinginokiima Forest Management Corporation (NFMC) was established on May 29, 2012, as a Crown Agency responsible for the Forest management planning, silviculture and Timber pricing and sales on a land-base comprising over two million hectares. The *Ontario Forest Tenure and Modernization Act, 2011* and the Corporation's by-laws provide some direction on the organizational structure of NFMC. An interim Board of Directors provided guidance to the Corporation for the first year while community members were being nominated and appointed by the Public Appointment Secretariat for service on the Board. The newly appointed Board began to oversee the business of the Corporation in February, 2013. Also, four OPS employees who acted in the role of General Manager, Chief Financial Officer, Operations Manager and Administrative Coordinator initiated the start-up of the Corporation and began the day-to-day management of the forest. The Board requires approval of this Compensation Strategy before the General Manager/CEO can be recruited.

Marathon has been selected as the location for the main office and the first two staff members hired will be working out of that location on October 15th, 2013. In order to maximize efficiencies and control costs, the Agency will fill approximately six key management and staff positions but will rely on the well-established forestry contracting services to carry out work in the areas of harvesting, silviculture and planning. Committees of the Board will assist in providing strategic direction and advice to the Agency. The organizational structure, below, and accompanying position categories will give NFMC sufficient flexibility to increase staff in various areas of the business as the need arises. It should be noted that although OPS Union classifications are documented in this strategy, it is presented this way for comparison purposes only. NFMC will not be a unionized organization.

NFMC STRUCTURE



Compensation Management

NFMC's Board of Directors will be responsible for managing the Corporation's Compensation Strategy. From time to time (at a minimum once every five years), it may be necessary for NFMC to revise the job classifications, personnel qualifications, duties, powers and salary ranges for its officers and employees. NFMC will bring all revisions considered significant to the Minister for approval.

NFMC will monitor OPS wage policies and will ensure that changes in salary ranges for its employees are consistent with the OPS wages for similar positions. For example if OPS updates the ranges of any of the classifications (e.g. for cost-of-living increase, wage re-alignments, collective bargaining outcomes) NFMC may consider applying the same update and as long as those updates do not bring the NFMC ranges outside of OPS ranges, such changes will not require permission from the Ministry of Natural Resources, Deputy Minister or Minister. If NFMC wishes to provide compensation outside of this strategy and OPS policy (wages and incentive) a formal request will be provided for Deputy Minister Approval. NFMC recognizes that we are currently under a Compensation constraint. It is understood that NFMC employee classified usually comprise more than one of OPS classifications (e.g. a forestry planner position encompasses both the OPS Forester 1 and Forester 2 classifications)

General Manager's Salary

The starting salary for the General Manager will be negotiated between the chair of NFMC and the successful candidate. It will be based on experience and qualifications and will be within the current OPS SMG-2 range. A committee of the Board will evaluate the performance of the General Manager following the completion of each year of employment. Based on that performance, the committee of the board may recommend a merit increase. The recommended increase will be at the discretion of the Board, will be similar to the annual increase given to senior management in OPS, and will not bring the general manager's salary beyond the current

SMG-2 range. The General Manager is eligible for the incentive award in the years that the Board determines an incentive is justified and will be awarded. The Incentive program is outlined in Appendix A.

Officers' and employees' Salaries

The starting salary for each employee will be negotiated between the general manager and the successful candidate. It will be based on experience and qualifications and will be within the ranges approved by the Minister. The general manager will evaluate the performance of each employee following the completion of each year of employment. Based on that performance, the general manager will recommend a merit increase. The increase to base salary would usually range from 1% to 5% depending on the performance of the employee. The general manager will present the staff wage strategy and its impact on the budget for the upcoming year to the Board for approval. Annual increases will not bring the employee's salary beyond the current ranges approved by the Minister. Officers and employees are also eligible for incentive awards at the Board's discretion.

Pension and Benefits

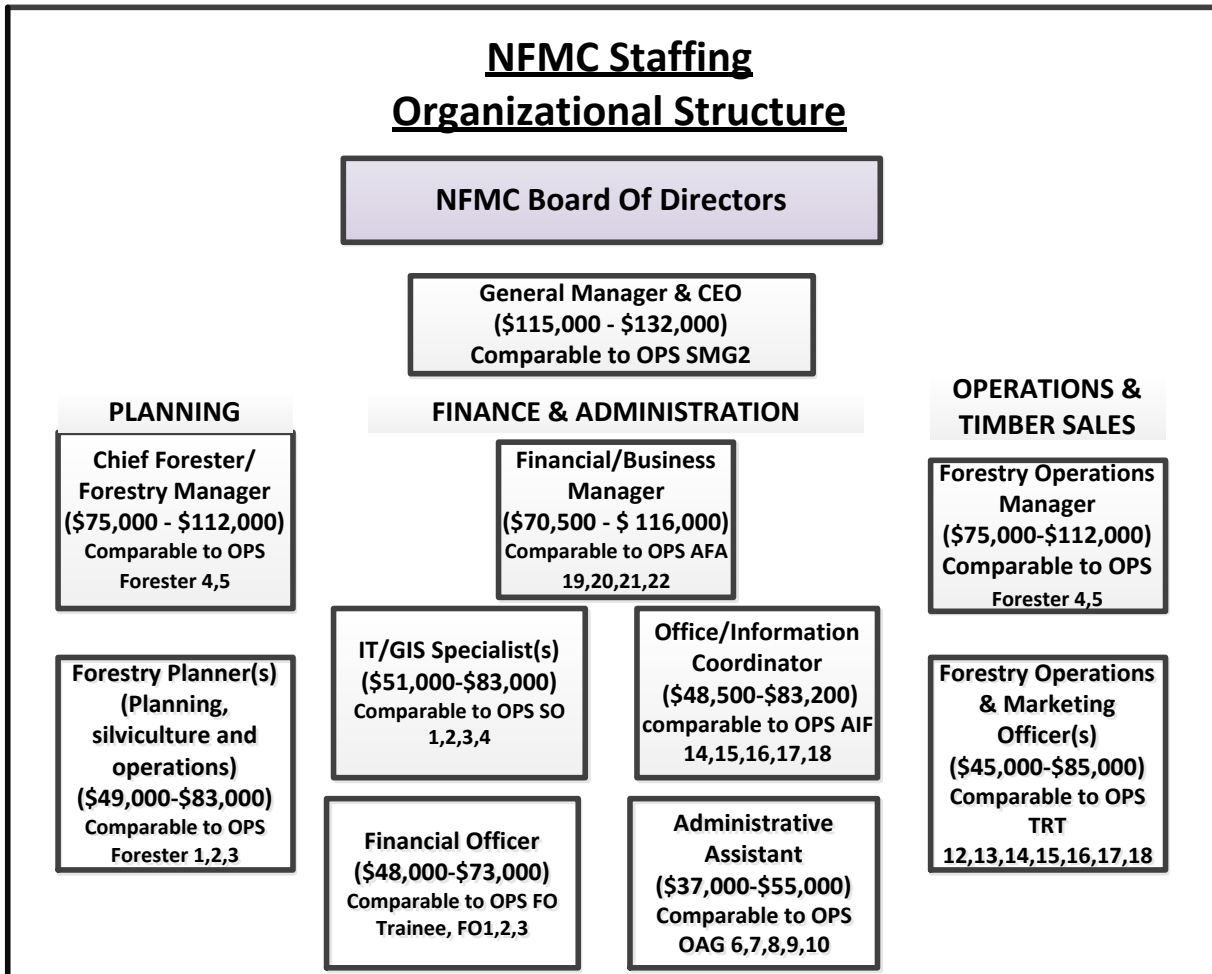
NFMC will offer a defined contribution retirement savings plan to its employees. This plan takes the form of a Group Registered Retirement Savings Plan (GRRSP) which will be provided by Great West Life.

The plan will include a 4% employer contribution. Employees may make voluntary contributions. When those contributions reach or exceed 4% the company will contribute an additional 2% bringing the maximum employer contribution to 6%. Employees are responsible for ensuring that they do not exceed their RRSP contribution limits. Employees will not be permitted to withdraw employer contributions while employed by the company.

The Benefits provided to the employees of NFMC is consistent with the OPS in many areas. Areas that are leaner than the OPS include: maternity and parental leaves, severance payments, sick days and opportunity for leaves. Health Benefits are outlined in Appendix B, other potential benefits (e.g. workboots, safety clothing) are outlined in Appendix C. Pension and benefits make up approximately 14% of the employees' wages.

Structure and Position Qualifications, Duties and Powers

The organization structure and position summaries are provided below. Note that positions may be further refined once the organization grows. However, with five employees the 10 job descriptions outlined should provide an adequate starting point for the Corporation.



CATEGORY: General Manager

CLASSIFICATION: Professional (equivalent to OPS SMG2)

SALARY RANGE: \$ 115,000 to \$132,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario university or equivalent, combined with 10 years of related experience;• Valid driver's licence;• Registered Professional Forester accreditation an asset but not a requirement <hr/> <ul style="list-style-type: none">• Management and leadership skills to direct, lead and supervise the work of a multi-disciplinary team;• Negotiation, networking & communication skills, political acuity;• Oral and written communication, interpersonal, facilitation skills;• Knowledge of project management principles, methodologies and practices;• Interpersonal & consultative, and relationship building skills;• Analytical, evaluative and conceptual skills;• Knowledge of business development, forest management, forest renewal and timber sales;• Knowledge of accounting, finance, marketing & economic theories;• Knowledge of government policies and directives for Crown agencies;• Knowledge of resource management programs and the integration of land use and natural resource management planning practices;• Knowledge of and experience in applying business planning principles, directives, policies and procedures, best business management practices and accountability processes;• Ability to work under pressure and within deadlines;• Extensive travel and periods away from home.	<ul style="list-style-type: none">• Manage and direct the business, affairs and day to day operations of the Corporation;• Perform duties and powers associated with a Chief Executive Officer (CEO);• Advise Chair on compliance with AEAD and other applicable directives, by-laws and policies;• Direct human resource management activities including developing and implementing a compensation strategy, pensions and benefits package, recruitment, training and performance management;• Apply policies so that public funds are used with integrity and honesty;• Providing leadership & management to staff;• Establish & apply financial management framework and ensuring sustainability of the organization;• Translate the goals, objectives, and strategic directions of the Board into operational plans and activities in accordance with the Corporation's approved business plan;• Promote a positive public profile of the agency in local communities and FN communities on the land base;• Act as the Ethics Executive for employees of Agency;• Develop and implement a timber sales and pricing system;• Other duties and powers as described in the Bylaw and MOU;• Such other duties as may be assigned.

POSITION: Financial/Business Manager

CLASSIFICATION: Professional (equivalent to OPS AFA19 to AFA22)

SALARY RANGE : \$ 70,500 to \$116,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Chartered Accounting or Certified Management Accounting accreditation;• Extensive (10 years) experience preferably in a natural resource field;• Valid driver's licence. <hr/> <ul style="list-style-type: none">• Administrative, interpersonal and analytical skills;• Leadership skills to direct, lead and supervise the work of a multi-disciplinary team;• Negotiation, networking & communication skills, political acuity;• Oral and written communication, interpersonal , facilitation skills;• Knowledge and understanding of business & financial theories, principles, practices & administration including budgeting, business planning, accounting & financial auditing & analysis;• Knowledge and understanding of business and organizational design and financial risk management techniques;• Knowledge of IT, applications and capabilities in order to assess, develop and implement financial and administrative control systems/procedures;• Knowledge of project management principles, methodologies and practices;• Knowledge of audit principles, financial and management processes to establish and administer processes for planning, evaluating, controlling and reporting on organizations financial operations and determine compliance with requirements;• Knowledge of Crown Timber billing and scaling systems and Crown timber and charges methodologies;• Ability to work under pressure and within deadlines;• Extensive travel and periods away from home.	<ul style="list-style-type: none">• Providing leadership & management to staff related to the financial activities of the Corporation;• Perform duties and powers associated with a Chief Financial Officer (CFO), if appointed;• Support for planning, coordinating & implementing financial program needs and requirements, including work planning, reporting, allocations, budgets, journals, in-year reviews and both internal and external audits;• Support GM in business and financial analysis and performance management. Provide key executive information and indicators to facilitate and assist in the development of in-year financial actions and strategies;• Oversee development and implementation of key Agency policies as well as reporting systems and ensure compliance with AEAD;• Supervise financial operations including keeping proper accounting and financial records, including: accounts payable/receivable, operating reserve, bad debts, journaling, purchasing, etc;• Oversee preparation of the annual financial report for the Agency's published Annual Report;• Oversee the development and ongoing management of a wood measurement, timber billing and pricing system;• Such other duties as may be assigned.

CATEGORY: Chief Forester/Forestry Manager

CLASSIFICATION: Professional (equivalent to FOR 4 to FOR 5)

SALARY RANGE: \$ 75,000 to \$ 112,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Registered Professional Forester accreditation;• Extensive (10 years) experience preferably in a natural resource field;• Valid driver's licence. <hr/> <ul style="list-style-type: none">• Leadership skills to direct, lead and supervise the work of a multi-disciplinary team including contractors and service providers;• Strategic thinking expertise in planning and managing change to identify non-traditional solutions;• Planning, analytical and problem solving skills;• Oral and written communication, interpersonal, facilitation skills;• Knowledge of project management principles, methodologies and practices;• Knowledge of forest management, forest operations and applicable laws and regulations;• Negotiation, networking & communication skills, political acuity;• Ability to work under pressure and within deadlines is required;• Ability to travel extensively, work long hours, and outdoors.	<ul style="list-style-type: none">• Provide leadership & management to staff in the area of forestry;• Act as Agency Liaison with Ontario government;• Develop and implement the Environmental Management System for the organization and act as its coordinator;• Lead forest management planning including related reports/documents/exercises (e.g. Annual Work Schedules, Annual Reports, Independent Forest Audits, Certification Audits) for the organization;• Participate/represent organization in provincial, regional committees dealing with initiatives/issues related to forestry;• Oversee the development and application of forest certification scheme(s);• Provide professional oversight to the silviculture program including management and administration of the applicable Forest Renewal Trust account(s) and related programs;• Keep abreast of emerging forestry policy/issues related to silviculture, habitat management, supply chain, forest operations, certification schemes, etc.;• Oversee information management systems related to forest management planning;• Oversee the delivery of government programs (e.g. roads program);• Maintain effective relationships with stakeholders and government agencies, especially MNR;• Such other duties as may be assigned.

CATEGORY: Office/Information Coordinator

CLASSIFICATION: Administrative (equivalent to OPS AIF 14 to 18)

SALARY RANGE: \$ 48,500 to \$ 83,500

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario University/college in the area of computer; applications/programming/GIS or equivalent in education and experience, combined with 10 years of related experience working in an office environment;• Valid driver's licence. <hr/> <ul style="list-style-type: none">• Leadership skills to direct, lead and supervise the work of a multi-disciplinary team;• Organizational, analytical, prioritization, & planning skills; ability to work independently• Reasoning, problem solving, strong oral, written and interpersonal skills;• Skills associated with computer software including Microsoft office, desktop publishing skills and customized software;• Knowledge of administrative systems, processes, & methods to support administrative activities of GM and staff;• Knowledge of NFMC roles, responsibilities, objectives, & activities to identify, direct, & address queries & requests from staff, clients customers, and the public;• Written and oral communication skills;• Understanding of service delivery protocols to provide efficient customer service;• Knowledge of information technology and associated software, email, internet, and office equipment set-up and operation;• Knowledge of HR/recruitment processes, financial management systems, budget tracking and reconciliation;• Knowledge of media and public relations• Knowledge of project management principles, methodologies and practices;• Ability to work under pressure and within deadlines.	<ul style="list-style-type: none">• Provide leadership & management to staff in areas of office administration and information technology (including GIS);• Act as executive assistant to the GM;• Develop and oversee workforce planning strategy and oversees the development of HR policies, recruitment and training;• Senior level administrative support to executive including meeting scheduling, coordination, agendas & minutes;• Support executive in review of monthly reports, monitoring expenditures, preparing fact sheets, data spreadsheets and information summaries, timber sales;• Oversee pension, benefits and other employee related programs;• Develop, coordinate and implement the emergency management program, business continuity planning and safety and wellness program;• Provide facility management services;• Oversee creation, maintenance & management of electronic and paper filing system including personnel and confidential files;• Oversee preparation of confidential and daily correspondence & responses to routine requests for information from internal and external client groups;• Oversee Agency requirements related to AEAD;• Provide management of information Technology infrastructure including Computers, GIS and telecommunications equipment;• Assist in the implementation and maintenance of the sales and accounting system;• Establish and manage maintenance arrangements for computer and communications equipment;• Oversee website content and public relations products;• Represent the organizations on working groups, committees dealing with GIS (e.g. MNR);• Oversee and/or coordinate the development of computer based systems (e.g. supply chain, reporting systems, wood measurement, silvicultural data);• Such other duties as may be assigned.

CATEGORY: Forestry Operations Manager

CLASSIFICATION: Professional (equivalent to FOR 4 to FOR 5)

SALARY RANGE: \$ 75,000 to \$ 112,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario college in natural resource field, combined with 10 years of related experience, and• Ability to obtain forestry related licences; (compliance inspector, pesticide licence, etc)• Valid driver's licence(s). <hr/> <ul style="list-style-type: none">• Leadership skills to direct, lead and supervise the work of a multi-disciplinary team including consultants, contractors and students;• Strategic thinking expertise in planning and managing changed to identify non-traditional solutions;• Oral and written communication, interpersonal , facilitation skills;• Negotiation, networking & communication skills, political acuity;• Ability to negotiate and manage complex business relationships;• Planning, analytical and problem solving skills;• Oral and written communication, interpersonal , facilitation skills;• Working knowledge of all acts, legislation, standards and management principles that apply for forest management and forest operations;• Knowledge of project management principles, methodologies and practices;• Ability to write technical reports;• Ability to work under pressure and within deadlines is required;• Ability to work long hours, and be outdoors for extended periods.	<ul style="list-style-type: none">• Provide leadership & management to staff related to forestry operations;• Oversee the forest operations on the landbase including leading the forest operations committee;• Assist in the development of forest management plans and related documents;• Plan and oversee the implementation of forest operations contracts including harvesting, road building, timber sales and silviculture;• Oversee the timber sales including price negotiations;• Ensure all operations comply with acts and regulations, policies, procedures and plans• Promote safe work practices and immediately rectify any unsafe acts or conditions;• Assist in the development of forest operations planning and ensuring supply agreements are fulfilled;• Implement and monitor timber billing and scaling system;• Delivery of government programs including the MNR Roads program;• Ensure contractors maximize forest value and product recovery;• Such other duties as may be assigned.

CATEGORY: IT/GIS Specialist

CLASSIFICATION: Technical (equivalent to OPS SO1 to SO4)

SALARY RANGE: \$ 51,000 to \$ 83,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario University/college in the area of computer applications/programming/GIS or equivalent in education, and• Valid driver's licence<hr/>• Strong analytical, conceptual, evaluation and problem solving skills to analyze and synthesize a broad range issues analysis of spatial and non-spatial forestry information;• Knowledge of information technology and associated software, email, internet, and office equipment set-up and operation;• Knowledge of CFSA requirements and in particular the Forest Information Manual requirements;• Knowledge of project management principles, methodologies and practices;• Ability to work under pressure and within deadlines is required	<ul style="list-style-type: none">• Provide leadership & management to contract staff and summer students as required;• Develop, implement and maintain the forestry GIS data base and related information;• Perform day to day GIS duties related to the forest management planning process including GIS analysis;• Assist in management of spatial and non-spatial forestry information analysis;• Assist in developing and maintaining, computer applications;• Provide computer programming advice and computer training to staff and clients as required;• Oversee office communication systems (e.g. landlines, smartphones, video conferencing, webex, smartboards, etc);• Website development and maintenance;• Such other duties as may be assigned.

CATEGORY: Forestry Planners (Planning, Silviculture, Operations)

CLASSIFICATION: Professional (equivalent FOR1 to FOR 3)

SALARY RANGE: \$ 49,000 to \$ 83,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Registered Professional Forester accreditation;• Ability to obtain forestry related licences; (compliance inspector, pesticide licence, etc)• Valid driver's licence(s). <hr/> <ul style="list-style-type: none">• Negotiation and interpersonal skills to lead an integrated team in the planning and delivery of forest management plans;• Strong analytical, conceptual, evaluation and problem solving skills to analyze and synthesize a broad range of issues and analysis of spatial and non-spatial forestry information;• Working knowledge of all acts, legislation, standards and management principles that apply for forest management and forest operations;• Oral and written communication, interpersonal, facilitation skills;• Ability to write technical reports;• Knowledge of project management principles, methodologies and practices;• Ability to work under pressure and within deadlines is required;• Ability to work long hours, and be outdoors for extended periods.	<ul style="list-style-type: none">• Providing leadership & management to contract staff and summer students as required;• Coordinate and/or prepares forest management plans, annual work schedules and annual reports;• Assist in the development of Forest; Management Plans and related documents;• Assist in the auditing processes including the independent forest audit and certification audits;• Certify and track forest operations prescriptions;• Manage and oversee application to the Renewal Trust Funds and Forestry Futures Fund;• Prepare, monitor and reconcile the silvicultural budgets, projects including silviculture effectiveness monitoring;• Plan and oversee information mgmt. systems including FRI and data collection;• Provide strategic input, advice & recommendations to GM including support for the development & evaluation of operational programs and strategies;• Participate in government, industry and stakeholder committees (e.g. Local Citizens Committee);• Maintain effective relationships with stakeholders and government agencies, especially MNR;• Such other duties as may be assigned.

CATEGORY: Forestry Operations and Marketing Coordinators

CLASSIFICATION: Technical (equivalent to TRT 12 to TRT 18)

SALARY RANGE: \$ 45,000 to \$ 85,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario college, combined with 5 years of related experience;• Ability to obtain forestry related licences (compliance inspector, pesticide licence, Scaler's Licence etc), and• Valid driver's licence(s). <hr/> <ul style="list-style-type: none">• Knowledge of forest management and operations including timber sales and procurement;• Ability to supervise staff, students and contractors;• Knowledge of project management; principles, methodologies and practices;• Analytical, conceptual, evaluation and problem solving skills to analyze and synthesize a broad range issues analysis of spatial and non-spatial forestry information;• Working knowledge of all acts, legislation, standards and management principles that apply for forest management and forest operations;• Oral and written communication, interpersonal, facilitation skills; ability to write technical reports;• Ability to work under pressure and within deadlines is required;• Ability to work long hours, and be outdoors for extended periods.	<ul style="list-style-type: none">• Providing leadership & management to contract staff and summer students as required;• Monitor progress of operations such as harvesting and silviculture to ensure compliance with approved plans and budgets;• Oversees the compliance program for operations and works with Crown on monitoring /auditing;• Participates in the preparation of the Forest Management Plan, Annual Work Schedule and Annual Report;• Supervises activities such as operations cruising, silvicultural projects;• Supervise road layout and construction and maintenance, oversee MNR road funding program; Supervise contracts related to crushing, stock-piling of aggregate material, brush control etc;• Oversees block layout and harvesting operations;• Performs appraisals for harvesting costs;• Ensures/promotes proper work practices and adherence to all legislation;• Writes Reports and updates systems (e.g. FOCIS);• Prepares, monitors and reports on program budgets;• Oversees/provides training for staff;• Maintain effective working relationships with contractors, customers and MNR field personnel;• Such other duties as may be assigned.

CATEGORY: Administrative Assistant

CLASSIFICATION: Administrative (equivalent to OPS OAG6 to OAG10)

SALARY RANGE: \$ 37,000 to 55,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none">• Education at the level associated with graduating from an Ontario highschool, combined with 1 years related college training;• Ability to communicate verbally and in writing in French is an asset. <hr/> <ul style="list-style-type: none">• Progressive experience in responsible administrative positions;• Secretarial skills including keyboarding;• Planning, prioritization and organizational skills;• Ability to deal with confidential and sensitive material with diplomacy, discretion and tact;• Good oral and written communication skills• Math skills;• Knowledge of organizational policies and procedures;• Knowledge of office equipment such as smartboards, printers, photocopiers, to operate equipment efficiently and to oversee basic maintenance;• Knowledge of computer software including Microsoft office, Outlook and ability to learn customized software;• Knowledge of reception, phone systems, electronic and manual filing systems.	<ul style="list-style-type: none">• Oversee customer relations (switchboard, reception, customer inquiries);• Scheduling meetings, agenda minutes;• Prepare monthly and year end reports;• Assist with Accounts Payable/Receivable;• Administrative support to Managers including; meeting scheduling, coordination, agendas & minutes;• Provide customer service related to duties, e.g. greet/screen visitors, answer telephone calls, etc.• Oversee correspondence, signing approvals, determine urgency and priority, process electronic mail by reading, tracking, forwarding & responding as pre-approved or delegated by GM;• Create, maintain & manage electronic and paper filing system including personnel and confidential files;• Prepare confidential and daily correspondence & responses to routine requests for information from internal and external client groups;• Prepare travel arrangements for GM and NFMC managers and staff;• Such other duties as may be assigned.

CATEGORY: Financial Officer

CLASSIFICATION: Administrative (equivalent to OPS FO 1 to FO3)

SALARY RANGE: \$48,000 to \$ 73,000

QUALIFICATIONS	DUTIES AND POWERS
<ul style="list-style-type: none"> • Bookkeeping/accounting background associated with a college education or equivalent experience. <hr/> <ul style="list-style-type: none"> • Understanding of service delivery protocols to provide efficient customer service; • Organizational, analytical, prioritization, & planning skills; ability to work independently; • Up-to-date knowledge of laws/regulations; associated with financial/accounting practices; • Ability to work under pressure and within deadlines is required; • Knowledge of computer software including Microsoft office, Outlook and ability to learn customized software; • Ability to deal with confidential and sensitive material with diplomacy, discretion and tact. 	<ul style="list-style-type: none"> • Oversee day-to-day financial and record keeping needs of the business; • Implement and maintain accts payable/accts receivable systems including cash disbursements, contractor advances/holdbacks, cash receipts and payroll support; • Implement and maintain records of the wood measurement system including data entry and reconciliation; • Prepare regular financial reports as required; • Carry out banking including reconciliations and audits; • Assist with timber billing and scaling; • Assist with Administrative Assistant duties; • Such other duties as may be assigned.

Appendix A:

NAWIINGINOKIIMA FOREST MANAGEMENT CORPORATION

POLICY NAME AND VERSION NO.: Compensation Program - Incentive Award Component		
EFFECTIVE DATE:	REVISION DATE:	APPROVED BY:

PURPOSE

There are a number of ways to effectively differentiate and drive performance in an organization. The use of distribution guidelines is a well-established methodology. Performance distribution reinforces the importance of differentiating individual performance ratings. NFMC will work toward a year-over-year improvement related to performance rating distribution.

Our efforts to truly drive improved organizational performance will be significantly enhanced by the efforts we make to raise our performance standards, and to work with those employees that fall short of them.

The Compensation Program for NFMC consists of competitive salaries and results based incentive awards. Salary increases and incentive awards are based on performance in three areas: corporate, departmental, and individual results. A precondition of any compensation award is individual achievement of their performance management plan.

PRINCIPLES

- Incentive awards are directly linked to the achievement of key results at the corporate, department and individual levels.
- The program is designed to encourage a rigorous performance-driven results based culture.
- The incentive award program is for permanent staff and does not apply to contract staff, consultants, contractors, interns or students.
- The Board at its sole discretion will set the maximum award in any given year (up to 10% of annual salary). Likewise, the Board may also decide to waive awards (e.g. economic hardships, issues with non-performance).

ELIGIBILITY

- All permanent staff employees are eligible for the incentive plan.
- Eligibility for an incentive award is contingent upon the employee actively working with the NFMC during the performance year.
- The employee must have performed work for three or more consecutive months during the initial performance year.
- Any exceptional circumstance must be pre-approved by the Board of Directors.

RESPONSIBILITIES

Application of the Incentive Program will be administered by the General Manager with approval from the Board of Directors.

PERFORMANCE – DRIVEN RESULTS-BASED INCENTIVE AWARDS

Establishment of Incentive Level

The incentive award level will be established annually, subject to the Board of Director's approval. The incentive award will be based on corporate, department and employee performance. The maximum award any one employee can receive is 10% over their annual salary.

The Board of directors determines the specific incentive levels based on the complexity, impact and contribution of the staff and departments to the achievement of key corporate objectives in any given year. For example the Board can decide that each component (corporation, department, employee contribution) is equal for the year, so the incentive is proportioned at 33% for each category. (See figure 1)

The level of achievement of each component is assessed as follows:

The **Corporation's** annual Results-based Plan:

- Results did not meet key commitments
- Results meet some key commitments
- Results meet all key commitments
- Results exceed key commitments

The **Department's** annual Results-based Plan:

(Note: during start-up NFMC may not have departments and therefore this category may not be applicable)

- Results did not meet key commitments
- Results meet some key commitments
- Results meet all key commitments
- Results exceed key commitments

The **Individual's** annual performance plan;

- Outstanding
- Fully effective
- Conditional achievement
- Requires Significant Performance Management

Individual Performance Results

No incentive award will be made unless it is supported by a documented performance plan. Performance commitments and measures must be set at a level which reflects the high level of performance expected.

Key commitments must be:

- Identified in the performance plan.
- Linked, where appropriate, to the key performance measures in the Annual Plan.
- Reviewed and approved by the next higher level of management within the corporation.

Performance plans must be updated as required to reflect significant current or new priorities. A pre-condition of any pay out of this program is the individual’s achievement of the key commitments documented in his/her performance plan.

Incentive awards may be earned for the Outstanding and Fully Effective Performance levels. However, no incentive award may be earned for Conditional Achievement or Requires Significant Performance Management. Individual performance rating definitions are provided in below.

Special Incentive Provisions:

It is the prerogative of the Board to recognize significant corporate priorities/initiatives and the exceptional contribution of groups or individuals by awarding additional incentive awards. Special awards are added to the incentive award earned by the individuals being recognized. Special awards, applied directly to the regular incentive award earned by an individual, may bring the individual’s total award above the approved incentive percentage.

	Corporate (33%)	Department (33%)	Employee (33%)	TOTAL (100%)	Pro-rated % of Annual Salary
Employee 1	33	5	20	58	5.8%
Employee 2	33	20	25	85	8.5%
Employee 3	33	33	33	100	10%

*If applicable (if not applicable the breakdown will be shared 50%/50%)

Figure 1: Example of Incentive Award pay-out as a percent of annual salary

ADMINISTRATION

Calculation and Implementation of Incentive Award

All awards reflect performance within the past performance year and are paid prospectively, effective the beginning of the following performance year.

Incentive awards do not form part of base salary; while the payment will be reported as part of total annual earnings, they are not considered as salary for the determination of salary based benefits.

Incentive awards do not impact the calculation of severance entitlements.

Leave of Absence

Individuals who avail themselves of leaves of absence with or without pay are to, in conjunction with their supervisor, review and revise their performance plans to reflect the leave. Subject to the eligibility criteria, any incentive award will be pro-rated to recognize the leave of absence (e.g. not eligible for incentive during leave of absence).

Dismissal

An employee who is dismissed for cause or while on probation is not eligible under any circumstances at any point in time for an incentive award regardless of length of time in the position during the performance year.

Resignation/Layoffs/Termination Without Cause

An employee who voluntarily resigns is laid off or terminated without cause prior to the end of the performance year will not be eligible for any performance incentive award for that year.

Individual Performance Rating Definitions

The following definitions will assist managers in determining the recommended ratings for employees. The definitions clearly define the requirements of each rating level. They were designed to emphasize the high level of expectation for recommending an 'outstanding' or 'fully effective' rating and to identify a range of expectations which could result in a 'conditional achievement' rating. The definitions recognize the need to assess not only 'what' was achieved but 'how' the results were achieved.

Outstanding

This rating is reserved for those employees who produce results of excellent quality and who demonstrate a high level of productivity and timeliness. The employee is a model of excellence in both the results achieved and the means by which they are achieved;

AND

Performance at this level indicates that the employee has gone beyond the plan, i.e. has consistently achieved results beyond expectations for all key performance commitments, unless a supporting rationale exists for failure to meet a key commitment which could not be predicted, e.g. funding for a project removed;

AND

The resulting products or outcomes from work done or projects worked on have exceeded expectations and have resulted in improved results for the corporation. This could include:
Volunteering to work on corporate projects/committees
Mentoring/coaching new staff

Model for knowledge sharing and/or horizontal policy development/service delivery
Identifying and executing money saving/time saving efficiencies

This may have been through developing streamlined and innovative processes, taking particular initiative or excellent management of material, financial and human resources such that the impact went beyond the employee's expected sphere of influence;

AND

Strong teamwork and leadership has contributed to the achievement of goals. This has led to ongoing positive working relationships with peers, subordinates, partners and clients in such that results for corporation are enhanced.

Fully Effective

Performance at this level indicates that the employee has met all key performance commitments, unless a supporting rationale exists for failure to meet a key commitment which could not be predicted. E.g. funding for a project removed;

AND

This rating indicates that the employee consistently meets expectations for the results achieved and the means by which they are achieved;

AND

Performance meets expectations for quality and timeliness, with attention to the impact on achievement of organizational results at unit/branch/regional level, taking into account both short and long –term impacts. Demonstrates independence; i.e. not requiring ongoing direction or re-direction;

AND

Meeting performance commitments has been carried out while maintaining positive working relationships with peers, subordinates, partners and clients and with effective management of material, human and financial resources.

Conditional Achievement

While the employee may have met key performance commitments, he/she may require support in the means by which the commitments were met, for example:

The employee has managed some but not all of the issues related to achievement of the result or product, e.g., ongoing management of the process or result may be difficult.

Demonstrates lower level of independence requiring higher than usual supervision, direction or re-direction.

While the employee has managed relationships well with clients/stakeholders for the most part, the clients/stakeholders are not fully engaged; ongoing coordination may not be fully effective. The means by which results have been achieved are not well aligned with other work within the corporation.

OR

Performance at this level indicates that the employee has delivered on more than half of the key performance commitments expected for the position; however, the key performance commitment(s) not achieved do not have a supporting rationale for inability to meet the commitment(s). The employee has met most expectations in terms of the quality produced, has met most deadlines and for the most part has demonstrated good issues management.

OR

The employee may be learning in a new position or adjusting to changed position expectations, and require further development to be fully effective in the position demands.

Requires Significant Performance Management

Performance at this level indicates that the employee has not met key performance commitments as expected for the position, without a supporting rational for inability to meet all commitments. Some indicators of performance at this level include:

Majority of the key performance commitments have not been met, without a supporting rationale, either as a result of inadequate results or lack of quality or timeliness.

Ineffective methods have been used in carrying out the project/work such that ineffective results were achieved or issues were not managed.

Work relationships with peers, subordinates, partners and/or clients have been detrimental to the achievement of the project or organizational goals, or such that customer needs were not met.

**Appendix B: Nawiingnokiima Forest Management Corp.
Proposed Employee Benefit Package**

BENEFITS		
Benefit Description	Proposed Compensation	Comments
Basic Life Insurance	TO BE DETERMINED BY SERVICE PROVIDER	1X salary
Dependent Life Insurance		\$10,000/\$ 5,000
Health Care		80%
Critical Illness		various
Short term Disability		17 weeks @66.7%
Long term Disability	None prescribed	2 years @ 66.7%, then 60%
Accidental Death and Dismemberment		1X salary
Short Term Sickness		Managers will manage– must be justified (e.g. Dr note)
Group Critical Illness		\$25,000
Vacation	10 days for first 2 years 15 days for 2- 4 years 20 days for 5-8 years 25 days after 8 years 30 days after 15 years	Must complete full year of service to move to next category. Eg If hired Oct 2012, eligibility for 3 weeks of vacation starts in Jan 2015
Holidays	11 Days: New Year's Day, Family Day, Good Friday, Victoria day, Civic Holiday, Labour Day, Thanksgiving Day, Christmas Day, Boxing Day 2 discretionary days in lieu of Remembrance Day and Easter Monday	
Bereavement Leave	Up to 3 days paid leave in the event of death of close family member; special consideration determined by GM	
Leave without Pay	As determined by GM	
Pregnancy Leave and Parental Leave	-As allowed by law. Pension and Benefits continue if employee contributes	
Termination Pay	Termination pay is as per Employment Standards Act requirements	
Death Benefit	na	

Appendix D: Nawiinginokiima Forest Management Corp.

Proposed Other Benefits

NFMC may provide other benefits to employees as follows:

- Safety Equipment (hard hats, workboots, hi-vis clothing)
- Moving expenses (key employees at the discretion of the GM)
- Overtime (staff are not unionized and are expected to have flexibility in their work hours; financial compensation will be minimized, however time-in-lieu will be available as required by law)
- Sign up bonus (one time only and up to 10% of the candidate's annual salary paid once probation ends, conditional on the employee passing probation. Bonus must be repaid if the employee leaves NFMC within two years of being hired. Each sign up bonus must be approved by Board resolution)