



GUIDE TO FORESTRY FUTURES ENHANCED SFL TRANSITION FUNDING APPLICATION PROCESS

1. All applications will include a complete Work Plan including a description of milestones, eligible work, payment schedule, and a list of payees, in accordance with the format prescribed. The Work Plan will be endorsed by MNR, or comments provided to the Forestry Futures Committee (FFC) as part of their application review and approval process.
2. Applications may be made for multi-year transition work for a maximum of two years. Extensions may be approved on a case-by-case basis.
3. Applications will include the signature of at least two Enhanced SFL Participant agreeing to:
 - Implement the Work Plan as submitted, as revised from time to time
 - The payment schedule
 - List of payees.
4. The FFC will review each application within 6 weeks of receipt to determine the level of funding support.
5. The FFC reserves the right to approve the dispersal of all, part, or none, of the requested funds based on their review of the application and the total funds available for this initiative in the Forestry Futures Trust (FFT) account, and in consideration of MNR's plan to transition to Enhanced SFLs.
6. It is expected that applicants will actively pursue access to any required additional funding from other sources (e.g. in-kind contributions from Enhanced SFL Participants, etc) to support the transition of the proposed Management Area to an Enhanced SFL.
7. Applications for claims for reimbursement, with supporting documents, are to be submitted to the FFC consistent with the approved Work Plan and payment schedule.
8. Applicants will submit a report on the completion of Step A – Development of Conceptual Business Arrangement before any disbursements can be made under Steps B Business/Legal Agreements and Step C Business Plan Development.
9. All claims for reimbursement must be submitted in accordance with the approved Work Plan and be signed by two of the Enhanced SFL Participants from the list of payees.

EVALUATION CRITERIA FOR FORESTRY FUTURES TRUST ENHANCED SFL CONVERSION FUNDING

The FFC will consider the following evaluation criteria in allocating funding for transition to Enhanced SFLs in support of tenure modernization objectives:

- **Demonstrated alignment with MNR’s priorities for transition to Enhanced SFLs**
Demonstrate how moving forward with this project aligns with the MNR endorsed “Principles for Enhanced SFL Implementation” document (“Principles Document”) for achieving tenure modernization objectives.
- **Project Complexity**
This is best demonstrated by the results of gap and complexity assessments to determine how applicants need to change to meet the Enhanced SFL characteristics as described in the Principles Document. Does the proposal include an analysis indicating that funding is necessary to meet the requirements of an Enhanced SFL? How significant are the gaps between the current SFL arrangement and Enhanced SFL characteristics? What is the complexity in achieving the requirements (e.g. diversity and number of Enhanced SFL Participants in relation to degree of their expectations)? Proponents must also demonstrate efforts to obtain and build on existing shareholder agreements, where appropriate, to save on development costs and legal fees.
- **Eligible expenses**
Are the expenses for which funding is requested consistent with the MNR endorsed Work Plan to move to an Enhanced SFL and are they eligible expenses as described below, under Eligible Expenses.
- **Alternate funding sources**
Has the applicant(s) demonstrated that they sought and/or will have access to any required additional funding from other sources (e.g. in-kind contributions from Enhanced SFL Participants etc) to support the transition to an Enhanced SFL?
- **Milestones**
Does the Work Plan include concrete and tangible project milestones that demonstrate timely progress towards the development and implementation of an Enhanced SFL?

Monitoring Provisions: Ensure the applicant reports the milestones described in the Work Plan and the method used to achieve those milestones. The applicant will need to explain milestone achievement and variances through quarterly Project Work Report to ensure the continued flow of FFT funding. This includes, specifically, a report at the completion of Step A: the Development of Conceptual Business Arrangement.

MNR will provide timely confirmation that the Conceptual Business Arrangement meets the Enhanced SFL characteristics before the FFC considers dispersing funds to applicant(s) for Steps B: Development of Legal Agreement and C: Development of Business Plan. Changes to the

Work Plan (including payment schedule and list of payees) may be required and/or requested periodically to ensure milestones remain relevant. Changes to the Work Plan may be requested and submitted, periodically, to the FFC for approval.

ELIGIBLE EXPENSES FOR FORESTRY FUTURES ENHANCED SFL CONVERSION FUNDING

Consideration of funding support will be based on the following steps as described in the Enhanced SFL transition project Work Plan and consistent with MNR's general transition steps.

Step A. Development of Conceptual Business Arrangement

Costs associated with the development of a new/ revised Conceptual Business Arrangement that address the six key characteristics for transition to an Enhanced SFL will be eligible.

These may include:

- Services of a consultant(s) engaged by the Enhanced SFL Participants to facilitate the new business arrangement, including items such as:
 - Overall project coordination
 - Meeting facilitation
 - Writing the draft and final versions of a Conceptual Business Arrangement report
- Costs associated with bringing Enhanced SFL Participants together for meetings, such as meeting rooms, out-of-pocket travel, etc. The purpose of the meetings may include:
 - To provide Enhanced SFL Participants with information to assist them to understand the process and decide how they wish to participate.
 - To provide Enhanced SFL Participants with information on Aboriginal perspectives, interests, issues, capacity and traditions.

These may include consultant costs and related costs for material preparation and meetings.

- For Harvesters and/or Local Communities invited to be Enhanced SFL Participants, assistance with the formation of associations, if required, and/or selection of representatives.

Enhanced SFL Participants may include the Local Aboriginal Communities, the Local Forest Industry and Local Communities.

Note: Where applicants do not require the development of a new conceptual business arrangement due to an existing arrangement that largely meets the eSFL characteristics, they will not be eligible for funds under Step A. They will be required to forward a copy of their Conceptual Business Arrangement report to MNR and FFC before they are eligible to receive funding under Steps B and C.

Step B. Development of Business Agreement for Enhanced SFL (e.g. shareholders or partnership agreement)

Costs associated with developing a Business Agreement amongst the Enhanced SFL Participants, such as a shareholder's agreement. These may include:

- Legal fees associated with drafting the Business Agreement (although efforts to minimize these fees must be demonstrated by accessing existing agreements)
- Facilitation services, if required
- Related expenses

Excluded: Legal costs incurred by individual Enhanced SFL Participants associated with draft agreement review and comments are not eligible

Step C. Development of Business Plan (as required)

In accordance with MNR requirements, a Business Plan is required to support the issuance or transfer of an SFL to the new entity and may be required to support an amendment to the SFL. If required, eligible costs would include those associated with developing the detailed description of how the new company will be formed and how it will operate (e.g. organization, financing, HR, Wood Supply, transition issues and how they will be addressed, etc.) and may include:

- Services of a consultant engaged by the Enhanced SFL Participants to prepare the Business Plan including items such as:
 - Overall project coordination
 - Meeting facilitation
 - Writing the draft and final versions of the Business Plan.
- Other related costs for Business Plan working sessions.