
 **OUR** 

 **NAME**  

   **IS**  

INNOVATION

INNOVATION IS THE NEW NAME OF THE GAME.

[IT ALSO HAPPENS TO BE OURS.]

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Over the last two decades, the transformation of the world economy and the globalization of trade have changed the lay of the land for manufacturing companies in the developed countries.

It is now a fact that their competitiveness depends on their ability to address needs that consumers feel are so important that they will pay a premium for the solutions that help meet them. In other words, their success is contingent upon their capacity to design a **new value proposition** for the consumer.

Locate the real consumer. Build a consistent value proposition. Deliver it more quickly, more efficiently and with greater impact than the competition. Start all over again. These are the new rules of the game: maximize the value for consumers and, consequently, for other stakeholders.

Those are the rules, and the game is called innovation.

Conventional industries have already begun adapting to the shift in the value chain away from the producer and towards the new consumer. It is a challenge that demands not only individual effort on the part of each company, but also a collective effort to seek innovative solutions to common problems.

To face that challenge, the Canadian forest industry has created a model that has no equivalent in the world: **FPIInnovations**.

FPIInnovations is the result of a joint effort on the part of industry and the federal and provincial governments. Its mission is to help the Canadian forest industry improve its value chain by developing new products based on the unique attributes of Canada's forest resources and with a sustainable development approach.

To achieve that mission, we have built our entire innovation strategy around four flagship programs:

- **Next-generation building and living solutions**
We are developing revolutionary new construction systems and working to change building codes to promote the use of wood in market segments where it is underutilized.
- **Next-generation pulp and paper**
We are working with paper companies to develop pulps and papers with unique properties for use in new applications with a lesser environmental impact.

- **Energy and chemicals from biomass**
We are developing new materials, new fuels and new energy-efficient solutions that will replace fossil fuels with materials based on a renewable resource with a small carbon footprint.
- **Novel bioproducts**
We are working to create new wood fibre-based products with such remarkable properties that they could revolutionize numerous commercial applications in a variety of markets.

The projects launched under these programs are part of the **Transformative Technologies Program (TTP)**, funded by Natural Resources Canada (Canadian Forest Service). Under the TTP, FPIInnovations brings together governments, industry and academia to conduct research focused along the entire forest value chain to develop and adapt emerging and breakthrough technologies that could change the face of the forest industry and, by extension, part of the Canadian economy.

Concurrently, FPIInnovations continues to widen and enrich its relationships with provincial departments. Collaborative support and funding from provincial governments are helping FPIInnovations spearhead programs such as the BC Coastal Forest Sector Hem-Fir Initiative and revisions to Québec's forest law regarding plantation site preparation.

FPIInnovations is continuously gaining international respect for its research and discoveries, and its unique process of innovation is attracting interest across Canada and around the world.

Because innovation is the new name of the game.

AND OUR NAME IS INNOVATION.





**MESSAGE FROM
THE CHAIRMAN
AND THE
PRESIDENT
AND CHIEF
EXECUTIVE
OFFICER_**

DESIGNING A NEW VALUE PROPOSITION

[FOR THE FOREST SECTOR _ AND BEYOND.]

In 2009–2010, FPInnovations, not unlike the Canadian forest industry itself in the past decade, went through a strategic realignment designed to identify its core competitive advantages and develop a plan focusing on flagship, high-value-added programs. These programs are so promising that they are already attracting interest across the industry – and well beyond.

Bringing competitiveness back to a sustainable level remains a sizeable challenge for the Canadian forest industry. While the pulp sector has seen significant improvement, the same cannot be said for all sectors of the industry, which continue to feel the repercussions of a struggling economy (in the U.S. paper and construction markets, in particular), the regulatory tightening of recent years and relentless competition from emerging economies. Profit margins remain under pressure, and the industry has to make some tough choices to protect its reinvestment capacity and improve its chances for emerging from the crisis with new competitive advantages. For many in the forest industry, the next two or three years will be both difficult and critical.

FPInnovations, itself a creation of various forest industry stakeholders in Canada, is obviously not immune to the situation. Over the last 12 to 18 months, we have been forced to question ourselves about our role, our priorities and the nature of our contribution to the Canadian forest industry, which faces such enormous problems.

The very significant decline in membership revenues – from \$30 million to \$9 million – obviously necessitated sustained effort to ensure federal and provincial financing for our activities. We also had to renegotiate agreements with our members that are more in line with their financial position and immediate imperatives, yet still meet the industry-wide need for first-rate R&D services that will allow members to meet their short- and long-term challenges.

Most importantly, however, the situation sparked a wealth of positive reflection on our operating model, our contribution to the transformation of the Canadian forest industry, and, by extension, the Canadian economy as a whole. Obviously, the very high level of integration in Canada's forest industry puts FPInnovations in a position that is almost unique in the world: it is one of the rare organizations of its kind with the power to play a role in its country's entire forest product value chain. In addition, the fibre extracted from the different types of trees that grow in Canada has unique characteristics, making it possible to develop applications that would be unthinkable using exotic species. These are important competitive advantages when formulating solutions for our members and developing new approaches and products.

INNOVATION



A handwritten signature in white ink, appearing to read "J. Lopez", positioned on the dark table surface in front of him.

Jim Lopez Chairman of the Board



A handwritten signature in white ink, appearing to read "Pierre Lapointe", positioned on the dark table surface in front of him.

Pierre Lapointe President and Chief Executive Officer

What is even more striking about FPInnovations is its position in what we can call the innovation universe. It is a fact that, while there is no shortage of good ideas in the business world, true innovation is rare. Innovation is not a product; it is a complex process that makes it possible to deliver new value by using research to discover, create and implement new products, new processes, new technical means and new services. Few organizations have the structure, the networks, the partnerships, the know-how, the personnel, the integrative capacity and the market intelligence to deploy that dynamic on an ongoing basis. FPInnovations is one of them.

In this regard, the establishment of a joint-venture company with Domtar to build and operate a commercial-scale nanocrystalline cellulose (NCC) demonstration plant is most telling. Bringing research teams, engineers and market intelligence specialists together in the same process has allowed us to realign our priorities and position the project in real time. This integration of resources allowed us to significantly reduce the time and investment needed to bring the project to completion, in spite of the very high level of technological complexity involved – an achievement heretofore unimaginable for most experts in the field. It is no exaggeration to say that we took the world by surprise with the announcement. In a way, we have brought ourselves into the world. We have made a name for ourselves. And that name is innovation.

The NCC project is just one among many others on which our teams are demonstrating this unique capacity for innovation. As part of our strategic plan, we are taking on four flagship programs: next-generation building and living solutions; next-generation pulps and papers; energy and chemicals from biomass; and novel bioproducts.

These flagship programs open up promising and ambitious areas of research that will help the Canadian forest industry reposition itself at the heart of a new bioeconomy. This research focuses on high-value-added applications based on a renewable resource – wood – which has a small carbon footprint and can be sustainably utilized. These are also areas where our members can foresee becoming more globally competitive in many more ways than through a cost reduction strategy alone. This is our message to the industry: we will be there in the short term to help you get through the coming years with innovative solutions, and we will also be there in the long term to help you get to the next level with solutions that will bring new and ever-increasing value to the market.

As you will see in the *Review of activities*, our efforts have proved fruitful on a number of projects throughout the year. These include the construction of the new *Fondaction* head office in Québec City, a non-residential six-storey building built primarily of wood; the production of biomethane from wood pulp residue; and, among many other projects, the improvement of forest-related transportation by increasing logging truck loads, which involves a new system that could eventually be commercialized in other sectors of the transportation industry. We invite you to read about all these projects and see how our activities are translating into applications that are helping Canada's forest industry companies consolidate their position in conventional markets while also taking their place in new ones.

With the period of intense questioning behind us, we look forward to a future of exciting possibilities for our members, personnel and partners. On behalf of the management team and the Board of Directors, we would like to thank everyone for their support over the last year and the trust they continue to place in FPInnovations. More than ever, management, the Board and all FPInnovations personnel are speaking with one voice and working towards the same objective: to plant the forest industry solidly in the economy of the 21st century.

We can be proud of what we have accomplished together – and we're energized by the challenges that await us.



REVIEW OF ACTIVITIES

FINDING SOLUTIONS. OPENING UP NEW MARKETS. EMBARKING ON AN EXCITING FUTURE.

A SUMMARY OF OUR R&D PROJECTS IN 2009–2010.

TINY PARTICLES, BIG POSSIBILITIES

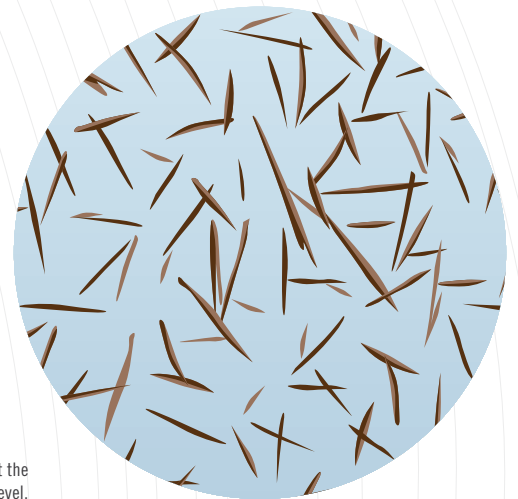
Nanocrystalline cellulose (NCC), a wood-based nanomaterial that is abundant, renewable and recyclable, is one of the most exciting areas of wood fibre R&D. The possibilities for this innovative product go far beyond traditional pulp and paper applications.

For more than 15 years, FPInnovations has been developing an extensive intellectual property portfolio around NCC, including both manufacturing and applications. Now FPInnovations and Domtar Corporation have formed a joint venture to build the first NCC demonstration plant in the world on the site of Domtar's pulp and paper mill in Windsor, Québec. The governments of Canada and Québec are both providing financial support for this \$40.8 million project, which will create about 50 jobs during the construction phase and about 10 permanent positions once the plant is operational.

The demonstration plant will produce one metric ton per day of NCC by milling and hydrolyzing wood cellulose, then separating and concentrating the nanocrystalline cellulose particles. Chemical treatments can customize

the NCC for many different uses. The huge commercial potential of this sustainable and biodegradable material stems from the wide range of promising applications in the automotive, aerospace, chemical, textile, forestry and many other industries.

NCC's unique optical, electrical, magnetic and strength properties give it almost limitless potential for use in many types of commercial products, including high-durability paints and optically reflective films; improved paper, packaging and building products; advanced composite materials; and even innovative bioplastics for bone replacement and tooth repair.



Cellulose at the nanocrystalline level.

1 Wooden furniture and accents like these can help reduce stress and promote health.

2 Wood is an integral part of the structure of the new six-storey CSN Fondation building in Québec City.

SUBSTANTIAL PROGRESS ON THE HARDWOOD INITIATIVE

The Hardwood Initiative – Increasing the Profitability of the Eastern Hardwood Industry was developed with the Canadian Wood Fibre Centre (CWFC). Twelve projects have been started as part of this initiative, four of which were completed in summer 2010.

A significant amount of research has been accomplished in the past year, including the following:

- A life cycle analysis of certain hardwood products is under way to evaluate their environmental impact.
- An analysis of secondary and tertiary transformation has been completed, and needs are now being linked with sawmill products (preliminary results show significant improvement in a few sectors).
- Trials for the use of biotechnology in coloration and discoloration are in progress, and initial results are very promising.
- Trials have been conducted in Ontario, Québec and New Brunswick to propose new harvest methods adapted to local forests, the results of which are currently being tested and analyzed.
- Trials have been conducted in New Brunswick to evaluate the capability of LiDAR technology (see p. 19) to improve knowledge of hardwood forests and the impact of partial harvesting on tree grade projection.

This research initiative is among the most important ever devoted to the hardwood forest. The fact that several Eastern Canadian provinces are involved, the significant number of researchers participating from each contributing province and the contribution of universities conducting research on hardwoods make this a truly exceptional undertaking.

BC COASTAL INITIATIVE

The BC Coastal Forest Sector Hem-Fir Initiative is a partnership with the coastal forest industry and the British Columbia and Federal governments to find innovative ways to increase the efficiency and diversity of the western hemlock and amabilis fir processing sector. The overall objective of this five-year initiative is to develop new products manufactured from the coastal hem-fir resource or improve the characteristics of existing ones.

In the Initiative's third calendar year, work continued on identifying and assessing opportunities along the value chain. Focus is shifting towards medium- and long-term targets, with significant progress in areas such as scaling, sawmilling, chip supply and supply chain. There have also been notable achievements in transport and product development.

In the area of highway sound abatement fencing, for example, a new "hybrid" (wood and concrete) demo product is being tested with a view to regaining a market that was once held by wood, but has migrated to concrete and steel. This initiative will provide a new, higher value end-use for a low value, fall-down lumber grade from a common post product.

In addition, researchers are working on bio-energy opportunities by studying the complex integration of available technologies with respect to specific resources, technological viability and key challenges for emerging products or processes. Three emerging technologies – torrefaction, pyrolysis and gasification – show good potential, with each yielding unique energy products. In the coming year, opportunities for making use of coastal biomass will be pursued at both industrial and community levels.

Other projects include testing reduced saw plate widths in double-arbor gang saws, developing innovative scaling methods and determining the effect of log length on average and maximum payloads.



EFFECTS OF WOOD IN THE BUILT ENVIRONMENT

The benefits of wood and wood products are many, and now there is growing evidence that it's time to add "human health" to the list. Research on wood and human health, performed at the University of British Columbia by an FPInnovations researcher for his doctoral thesis, shows that wood actually reduces stress and promotes health in the built environment. Among other findings, exposure to outdoor natural environments has been shown to lower blood pressure, heart rate and skin conductance; reduce the frequency of common colds and flu and accelerate recovery from illness; lower pain perception; and increase the ability to focus attention. The studies conducted at UBC showed that the application of wood in the built environment reduced sympathetic nervous system activation, or stress response. This result indicates that wood could be used to bring some of the health benefits of nature indoors, which is where Canadians spend 88% of their time.

Using the scientific approach to establish health as a new attribute of wood supports evidence-based design (EBD), which is viewed by the Design Futures Council as one of the top architectural trends for the new decade.

WOOD USE STRATEGY

FPInnovations is supporting the Wood Use Strategy for Construction in Québec, under which the provincial and municipal governments, as well as other organizations, such as labour unions, are leading by example to increase the demand for wood in non-residential construction. The new CSN Fondation office building in Québec City is the perfect illustration of this. Inaugurated on May 11, 2010, the six-storey, glue-laminated structure with a concrete core is one of the tallest of its kind in North America. This remarkable achievement is the product of scientific research by FPInnovations and its partners – research that paved the way for wood to be used in commercial buildings where, previously, only other materials met the multiple technological and regulatory requirements. The result is a whole new building paradigm in which wood not only presents a set of properties equivalent to those of other materials, but also contributes new characteristics and very distinct advantages. FPInnovations also provided technical assistance for the design of this multi-storey, heavy-frame hybrid building, which was awarded two Prix d'excellence, including one for structural design, by Cecobois, the Centre d'expertise sur la construction commerciale en bois involved in the promotion of wood use in non-residential construction in Québec. The wood used in the building structure maximizes the performance of the whole log right up to the tips, a part of the tree that used to be left in the felling area. The building was also designed to achieve LEED™ certification.





“WOOD FIRST” AWARD

In February 2010, the Honorable Pat Bell, B.C.’s Minister of Forests and Range, presented FPInnovations with a “Wood First Champion” award for its contribution of staff, expertise and innovation to the six-storey wood-frame construction project. The organization’s input was critical in the process that led to changes in the B.C. Building Code, implemented in April 2009, which increased the maximum height for wood-frame residential construction from four to six storeys. The B.C. Building Code is the first in North America to allow six-storey wood buildings.

FPInnovations’ activities included advanced computer modeling of building performance to assess seismic behaviour, the provision of a detailed design example of a six-storey wood-frame building, and participation in the design and performance assessment of a full-scale, six-storey wood platform-frame building. The building featured North American designs and materials, and after construction, it was tested on the world’s largest shake table in Miki City, Japan. The test building also featured the MIDPLY™ wall system that was developed by researchers at FPInnovations and the University of British Columbia. When subjected to a very high-magnitude earthquake, the building performed exceedingly well, thus providing the necessary assurance to building code specifiers and designers worldwide that five- and six-storey wood-frame buildings can be built with economical design and construction measures to withstand powerful earthquakes.

A Wood Enterprise Coalition, of which FPInnovations is a member, has been formed in B.C. to support the province’s “Wood First” initiative, and 20 five- to six-storey projects are currently underway.

ENHANCED DATA MANAGEMENT FOR FOREST OPERATIONS

FPDat™, a new data logging system, is improving the way that information is managed in forest operations. In a limited number of prototype installations in 2009, the FPDat data logger has proved itself to be a considerable improvement, receiving extremely positive feedback.

The new-generation version of the eight-year-old MultiDAT® system, FPDat is an enhanced solution to the age-old data management problems endemic to forest operations. These include the wide variety of equipment being used, the remoteness of work sites and associated challenges to communications, as well as the overall complexity of capturing information. Despite these issues, all the members of the forest operations chain – from equipment operators to forest contractors, production supervisors and company management – need access to a steady stream of accurate, real-time production data.

Unlike MultiDAT, FPDat has a fully interactive system that includes GPS, real-time updates of key performance indicators, message receiving and sending capability and data input screens for individual machine types. For example, in a forwarder or a skidder configuration, the operator will be able to record an estimate of volume brought to roadside by product type, which will provide useful information both to him in terms of his production levels, and to the supervisor regarding roadside inventory levels. FPDat configurations will be available for all forest machine types, including felling, extraction and processing equipment.

The system rollout will continue with more installations in 2010-2011, and an integrated FPDat unit set for commercialization in early 2011.



- 1 L-R: Steven Kuan, Building and Safety Standards Branch, B.C. Ministry of Housing and Social Development; Erol Karacabeyli, Manager, FPInnovations Wood Products Division; Russ Kinghorn, Association of Professional Engineers and Geoscientists of British Columbia; and Pat Bell, B.C. Minister of Forests and Range.
- 2 The new interactive FPDat data management system is providing accurate, useful information and will soon be available on all forest machine types.
- 3 Site preparation costs in Québec are now being reimbursed more fairly, thanks to FPInnovations research.

A LEVEL PLAYING FIELD FOR SITE PREPARATION WORK IN QUÉBEC

Findings released by FPInnovations after an intensive, two-year study have led to changes in the reimbursement rates for site preparation treatments under Québec forest law. This study was the result of long-held concerns by forest managers and contractors that the prior reimbursement model – which offered a fixed rate per type of machine used, without taking operating, productivity or regional variations into account – wasn't as fair as it should be.

More than 50,000 hectares of public land are prepared annually in Québec for the planting of seedlings, and the increasingly remote and diverse conditions of the treatment sites exacerbated the inequity of a fixed-rate model. To gauge the seriousness of the problem, FPInnovations studied 26,000 hectares of land treated by various site preparation equipment (73 machines) in 10 different regions of the province. Funded by Québec's Ministry of Natural Resources and Wildlife and Natural Resources Canada (NRCan), these research studies have led to revised reimbursement rates that take site and operating conditions into account.

This research also looked into the relative impact of fuel consumption on the total treatment cost for site preparation, with the findings leading to better compensation for contractors' lost profit due to increasing fuel prices. The research studies have attracted a lot of attention from other provinces, and workshops have already been held in New Brunswick, Newfoundland and Labrador.



IMPROVING SAFETY ON RESOURCE ROADS

In response to concerns about the safety of resource roads used in forest operations, FPInnovations has developed a cost-effective Road Safety Inspection system. The urgent need for action in this area was underlined in a 2009 report by WorkSafeBC: "Resource roads are hazardous, high-risk workplaces with an average of four industrial deaths per year in British Columbia." Support for this research has been provided by the BC Ministry of Forests and Range, Natural Resources Canada, WorkSafeBC, and the BC Forest Safety Council.

The system, using high-precision GPS, mobile videography and Light Detection and Ranging (LiDAR) technology, is mounted on an SUV that drives down the resource road. The resulting data is then processed using analysis modules and software tools that were developed in collaboration with Trimble Canada. Since 2008, FPInnovations has tested the system on over 300 km of mainline roads in B.C., with recommendations focusing on improving design speed and posted speed limits, stopping sight distance, geometric design, signage and a number of other features affecting road user safety.

The Road Safety Inspection project reduce the direct cost of lost time and production due to worker injuries, but will also greatly lower the indirect cost of resource road incidents; the impact of these incidents on families and communities is estimated to be four to five times the direct cost. The safety inspections will be carried out on other BC Timber Sales (BCTS) roads in 2010, with wider rollout to other provinces and industrial members planned for the future.



INVESTIGATING BIODIESEL FOR FOREST OPERATIONS AND HIGHWAY CONSTRUCTION

In partnership with Natural Resources Canada's National Renewable Diesel Demonstration Initiative, FPInnovations is conducting a demonstration project of biodiesel use in forest operations and highway construction. In 2009–2010, biodiesel implementation initiatives were held in four locations: a highway construction site in Coquitlam, B.C.; a sawmill yard operation in Prince George, B.C.; and forest operations in Merrit, B.C., and St-Ludger de Milot, Québec. The objective of the demonstrations was to better understand the various challenges involved in using renewable diesel in off-road operations in Canada; then to identify the best methods to overcome these challenges.

The demonstration project has a significant technical transfer component, with workshops planned for every province in Canada, in which the results will be presented to the construction and forestry communities. Biodiesel implementation guides for both construction and forestry are set for publication in 2010, and a Web page on the FPInnovations Web site will also present the results of this important investigation into renewable diesel.

- 1 The new Road Safety Inspection system, seen here mounted on an SUV, is expected to greatly reduce the incidence and impact of accidents on resource roads.
- 2 Biodiesel may well play a significant part in building the highways of tomorrow.
- 3 New technology is increasing payload capacity, resulting in reduced fuel consumption and considerable cost savings.

PROMOTING INCREASED PAYLOADS FOR FORESTRY TRUCKING

In response to the intensifying need to increase payloads in forestry trucking operations, FPInnovations is expanding its decades-long work to promote higher payloads without compromising safety. Working with government agencies, trucking operators and mills, FPInnovations is enabling higher, more efficient payloads by conducting rigorous research.

One avenue being pursued in this area is to implement innovative technologies to existing platforms, enhancing dynamic stability – which, in turn, allows for higher payloads. The roll-coupled trailer hitch is one such technology, which FPInnovations has been developing for several years. A three-phase testing process – in which the hitch-enabled truck is first tested in computer simulations, then in a lab, and finally on the road, with careful monitoring – is set for completion in summer 2010 in B.C. FPInnovations is also spearheading the introduction of completely new trucking configurations that are inherently more stable, such as the 9-Axle Pole B-Train, which takes advantage of the logs for roll-coupling.



In collaboration with Western government agencies, associations, and fleet owners and operators, FPInnovations has increased average payload capacity in the Western provinces by 10%, with an estimated typical fuel consumption/greenhouse gas reduction of 5% and an estimated annual cost reduction of \$1,500,000. The same process that has succeeded in increasing payloads in Alberta, Saskatchewan and B.C. is currently being applied in the East: FPInnovations is working with the Québec government to bring new configurations to the northern part of the province.

SUPPORTING A GREENER INDUSTRY

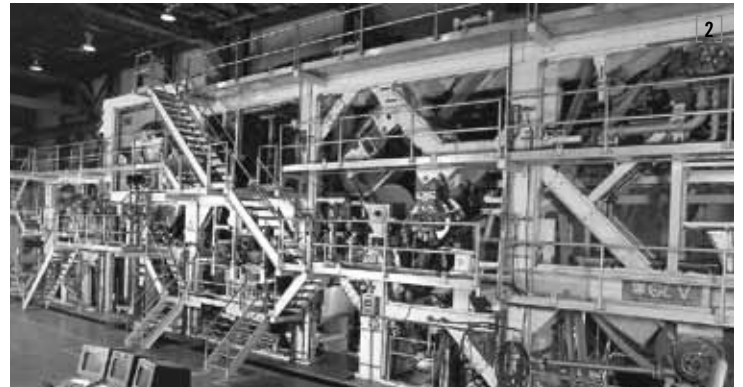
Given the shrinking market for traditional pulp and paper products, increasing global competition and growing public concern for the environment, FPInnovations is helping position Canadian companies to capitalize on new opportunities by ramping up a three-pronged approach to new product development. This approach includes developing competitive next-generation papers that will vie against plastics, glass and metals; collaborating with the Innovative Green Wood Fibre Products Network, a university research network funded by NSERC; and working closely with member companies on short-term opportunities, focusing on products that can be brought to market quickly.

One value-adding product opportunity identified by FPInnovations is in flexible packaging. A prototype paper with a water-based barrier coating has been developed and its performance has been improved. Such a product may be able to replace the fluorocarbon-treated oil and grease-resistant papers used in food packaging. Not only is it "greener," it also eliminates health concerns and includes a vapour barrier. The organization is currently working with member mills and partners on this new product in certain limited applications, though the economics of the solution have not yet been determined. Another example is the development of an inkjet printing paper based on 100% mechanical pulp that matches the performance of an uncoated fine paper. FPInnovations has designed a new coating recipe to minimize the adverse effect of coarse mechanical fibre and the higher cationic charge of calcium carbonate-based coatings. Using high-yield mechanical pulp instead of low-yield chemical pulp to make digital printing paper will contribute to sustainability.



EXPANDING THE MARKET FOR HIGH-YIELD PULP

High-yield pulp (HYP) is a bleached chemithermomechanical pulp used mainly in packaging and printing papers. However, with strong global competition and the declining North American demand for printing papers, there is an urgent need to develop new applications for HYP. One sector with significant potential is sanitary papers, specifically tissue and towel. High-freeness HYP can improve bulk and absorbency, which are two of the most important end-use properties for these products.



FPInnovations, in partnership with three member companies and with financial support from the Québec Ministry of Natural Resources and Wildlife, has performed a series of pilot trials to demonstrate the advantages of using HYP in tissue and towel, as well as to identify which HYP properties require improvement and which papermaking/performance issues need to be addressed. The trials proved that HYP did increase absorbency and that papers could be made with an HYP content as high as 30 to 40%. The base sheet produced in the trials has been converted into product samples, which are now available.

As a result of our efforts in this area, tissue and towel producers are able to reduce costs and improve product quality, while HYP manufacturers can expand further into the hygiene products market. That market has shown strong growth over the last decade and the trend is expected to continue in the near future.

- 1 More foods may soon be wrapped in greener, safer paper like this, as a result of FPInnovations' research.
- 2 This paper machine is turning out sanitary papers containing a higher percentage of high-yield pulp, which will help producers improve product quality and reduce costs.
- 3 Medical drape is one of the specialty materials whose properties FPInnovations is quantifying in its search for new opportunities for Canadian pulp producers.

ACHIEVING BETTER PERFORMANCE

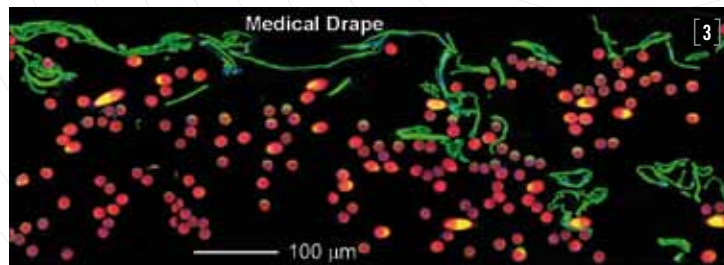
With the demand for printing and writing papers declining, the Canadian pulp and paper industry must improve its performance to stay competitive. FPInnovations is providing support in that process by developing new product characterization tools to help mills boost product performance. Our unique facilities and expertise in web and roll testing, printing evaluation and microscopic analysis are in high demand for diagnosing product performance problems and developing solutions.

A growing number of mills are implementing FPInnovations' product characterization tools for pressroom runnability and coated paper quality, leading them to identify efficiency opportunities and develop effective strategies for enhancing product performance. In one case, COATLAB™, a coating formulation software we developed, was used to help Tembec Paperboard Group's coated board mill improve its coating formulation to maximize the performance of the optical brightening agent (OBA). FPInnovations provided technical support to conduct the mill trials, develop coating strategies and validate the COATLAB™ prediction, and an advanced fluorescence microscope was used to gain insight into how OBA interacts with base papers. As a result, the mill is now positioned to improve the competitiveness of its products and even launch new products to meet the market demand.

HELPING PULP PRODUCERS EXPLORE NEW OPPORTUNITIES

To ensure the industry's long-term success, new opportunities must be found for Canadian market pulps. Applications have to be developed to encompass a wide range of products, particularly those with potential for higher value, such as specialty papers – a key market for pulp producers. Diversified Canadian market pulps certainly satisfy the requirements of many different products. However, more information is needed about the structural and functional role of the fibre component of these products, as well as the unique advantages of our pulps for specific applications. To date, such information has been scarce.

FPInnovations is making progress in this field by using its advanced confocal/two-photon microscope to generate high-quality images of a wide range of specialty products, including cigarette filter plugs, trans-former boards, crepe paper, medical drape and gowns, filters and saturating papers. Using image analysis, many structural and quality parameters, such as porosity, can be readily quantified in detail, including distribution within the sheet and measurements, layer by layer, which cannot be easily determined by other techniques. This work is an important step in identifying both the structural and functional roles of fibre components, and the requirements of fibre quality for specialty paper products, which would lead to new opportunities for Canadian market pulps.



- [1] The pulp pad on the right has been modified using a new process to improve moisture resistance.
- [2] LiDAR-predicted gross merchantable volume for the 625,000 ha Romeo Malette Forest.
- [3] 400 m² prediction units.

MOISTURE-RESISTANT PULPS

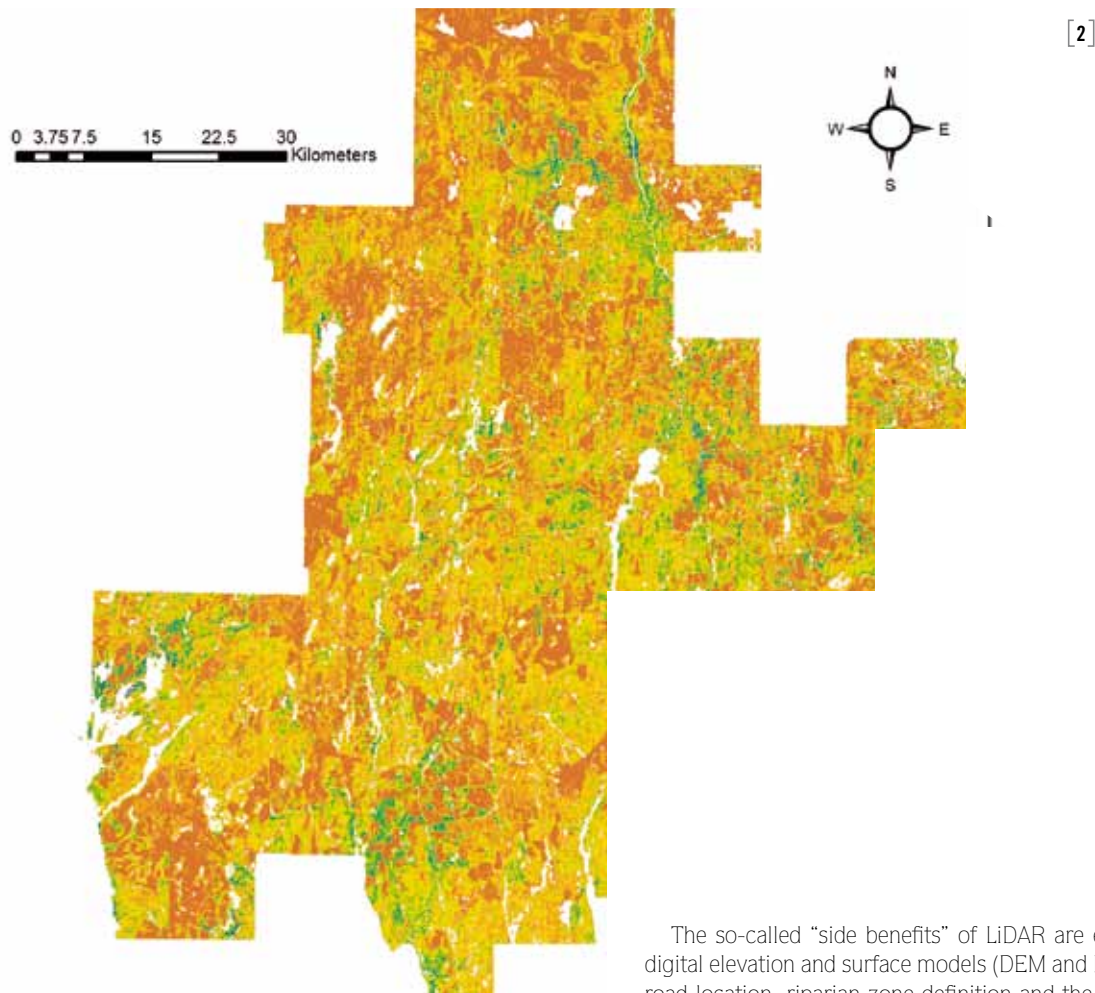
Scientists at FPInnovations have developed a new process for producing hydrophobic mechanical and chemical wood pulp fibres. The process, which could be implemented in most kraft or mechanical pulp mills, uses a unique aqueous approach to modify wood fibres, whereby the fibres retain their original shape but become enveloped with a moisture-resistant polymer.

Improving moisture resistance is a critical factor in improving the market opportunities for wood fibres. Pulp manufacturers can use the process to produce a new grade of pulp for use in niche markets for specialty papers and wood products that require high dimensional stability and better moisture resistance. Manufacturers of composites will be able to use wood fibres – which are lighter, less expensive and “greener” than polymer or mineral fibres – to produce lightweight materials for the automotive and building products industries.



TOOL FOR PREDICTING AND COMPARING THE PERFORMANCE OF SOFTWOOD MARKET PULPS

In order to maximize pulp value and applications focusing on the attributes of Canadian northern bleached softwood kraft (NBSK) pulps, the industry needs effective new tools. FPInnovations has developed software tools based on multivariate modeling, which provide quick estimates of the physical and optical properties of refined softwood kraft pulp from their unrefined fibre morphology and degree of refining. These tools, which are now available to our member companies, can quantitatively compare the fibre and pulp properties of a particular user's pulp against a comprehensive set of world market pulps. This means that market pulp producers can use the tools to guide them in custom-tailoring their pulps for specific customer requirements, while technical sales staff can use them to demonstrate the superior performance of their pulps over those from competitive regions such as Scandinavia or Chile. Another application is predicting the impact of a changing fibre supply on pulp performance.



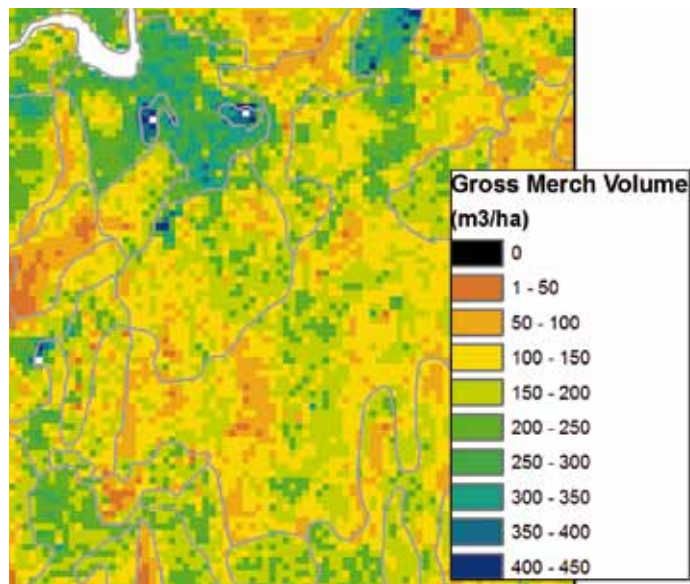
[2]

AIRBORNE LiDAR PRODUCES IMPRESSIVE RESULTS

In their ongoing quest to develop new forest inventory tools, the Canadian Wood Fibre Centre (CWFC) and the Ontario Ministry of Natural Resources (OMNR) have found enormous potential in LiDAR (Light Detection and Ranging). LiDAR is an airborne mapping technique that has been shown to produce remarkably accurate forest inventory data and digital elevation models that have multiple benefits for the industry.

Tembec was one of the first to use this technology to acquire a large amount of inventory data, including tree height, tree diameter and tree volume, when low-density LiDAR was flown over its Romeo Malette Forest in Ontario. With support from a CWFC-OMNR partnership, low-density LiDAR was used to build predictive models for the entire 625,000 hectares. Tembec was very impressed when actual harvest volumes closely matched the predictions. "Our initial comparison of LiDAR-derived block level volume estimates is astounding," said Chad St-Amand, GIS Analyst and Forest Information Services Coordinator with Tembec. "It appears that the LiDAR-estimated volumes per block are within 10% of what we realized from scaling." Diameter distribution results were also excellent, opening the door to such potential uses as determining harvest rates, market requirements (sawlogs vs. pulp), allocation selection during FMP planning, budgeting and mill demands. A new LiDAR-based inventory of Tembec's 1.5-million hectare Hearst Forest is currently in progress.

The so-called "side benefits" of LiDAR are equally significant. Accurate digital elevation and surface models (DEM and DSM) optimize block design, road location, riparian zone definition and the mitigation of environmental effects associated with forest operations. In fact, Tembec estimates that the savings in road construction alone easily offset the cost of the LiDAR.



[3]

- 1 Members of the partners collaborating on the fibre research project in Newfoundland and Labrador.
- 2 Research assistant Olivier van Lier uses ground-based LiDAR (Light Detection and Ranging) to capture scans of sample trees at forest inventory plots.
- 3 The 8-year-old short-rotation development site in Edmonton.

COLLABORATIVE FIBRE RESEARCH IN NEWFOUNDLAND AND LABRADOR

In Newfoundland and Labrador, scientists are exploring novel ways to understand forest ecosystems. Because not all fibre is created equal, it is important for land managers and especially for industry to determine how fibre varies over the landscape. This challenge is being addressed by a collaborative research team involving FPInnovations, the Canadian Forest Service of Natural Resources Canada, Sir Wilfred Grenfell College of Memorial University, the University of Sherbrooke, Corner Brook Pulp and Paper, the Newfoundland Department of Natural Resources and the Applied Geomatics Research Group. The research team is using advanced laser and imaging technologies to map the structure of forest stands and canopies. By relating the 3D structure to the internal fibre characteristics of trees, scientists are hoping to learn more about the type of fibre in the forests, where the best sites are for fibre with specific characteristics, and how industry might increase the use of that fibre.

“A good understanding of the fibre characteristics of our forest resource is key to allocating timber to its best end use. It will also be instrumental in future harvest planning and how wood is sorted at the stump for different products,” notes Tim Moulton, Silviculture and Continuous Improvement Superintendent at Corner Brook Pulp and Paper Limited.



NORWAY SPRUCE PROJECT SHOWS TANGIBLE RESULTS

Fast-growing, weevil-resistant Norway spruce varieties with excellent form are a promising result of a long-term collaboration between the Canadian Wood Fibre Centre (CWFC) and J.D. Irving, Limited. As an active member of the CWFC's National Network of Somatic Embryogenesis Laboratories, J.D. Irving has been focussing on the operational refinement of the somatic embryogenesis (SE) technology developed in part by the CWFC, for the purposes of industrial production. The Norway spruce project is a component of this collaboration, which began in the mid-1990s. In recent years, efforts have resulted in the mass production of genetically tested tree varieties for the commercial implementation of multi-varietal forestry.

J. D. Irving has been producing improved varieties of Norway spruce for three years, and more than 12,000 trees have been grown through SE. Test series at four locations will be measured this year for height, diameter, current weevil attack, visible weevil attacks and other traits. "It is exciting to see these trees develop and begin to understand the value proposition in SE production," says Greg Adams, Manager of Research and Development for the company.

Earlier work by the Canadian Forest Service's Laurentian Forestry Centre is what led to the original Norway spruce selections, demonstrating the kind of long-standing biological research that helps power the CWFC and, in turn, FPInnovations.



SHORT-ROTATION WOODY CROP PROJECT

The Canadian Wood Fibre Centre (CWFC) has established a national technical development site network of short-rotation woody crop options for Canada, in cooperation with three universities, four provinces, numerous private forest companies and landowners, First Nations and several Canadian Forest Service (CFS) research scientists. Funded by the CWFC, ecoETI, Alberta Innovates – Bio Solutions, private forest companies and the University of Guelph, a national network of sites has been established across Canada's agriculture land base in areas suitable for high-yield fibre production. Plantations of hybrid and exotic hardwoods (poplar and willow) are being grown in area-based clonal designs to maximize volume and value: input operations and costs are compared to output volumes and values using developing fibre value simulation models. Numerous short-rotation woody crop systems have been deployed to refine best practices, assess the suitability of various species and clones, and characterize fibre attributes. Particular species, clones and system designs are also being used to produce fibre with attributes specific to desirable local products and values, including standing carbon. Among the typical products recovered from short-rotation woody crop plantations are pulp and paper, oriented strandboard (OSB), lumber, biofuels and bioenergy. FPInnovations and its partners are contributing the attribute analysis for this project.

- 1 Technicians Maria Ricci (L) and Tatyana Yurchuk (R) attend a diluter where water and effluent are mixed and metered out to the aquaria below, which contain breeding groups of fathead minnows.
- 2 A male fathead minnow guards eggs adhering to the underside of the spawning substrate.

DEVELOPING MORE EFFECTIVE CONTROLS FOR PULP MILL EFFLUENTS

In collaboration with Environment Canada and Canadian universities, FPInnovations is working to establish better practices for the management of pulp and paper mill effluents. The efforts follow findings of the regulatory Environmental Effects Monitoring (EEM) program that showed a significant issue: endocrine disruptions in fish living in waters that contained effluents from nearby pulp mills. FPInnovations conducted short-term fish tests and a survey of kraft mills that showed the higher the biochemical oxygen demand (BOD) in the effluent, the greater the negative effects on the fish. The higher effluent BOD can result from accidental losses of black liquor, the leftover cooking liquor from the pulp-making process, as well as upsets or inefficient biological treatment of the effluents.

FROM GARBAGE TO GOLD: PULP MILL SLUDGE TRANSFORMED INTO VALUABLE BIOMETHANE

A joint effort by FPInnovations, government and industry players has demonstrated that waste-activated sludge from mills can be a valuable source of green energy. Using wood-based waste materials as feedstock, this initiative has successfully transformed the sludge into green biomethane fuel. The conversion method involves the MicroSludge™ process, in which feed solids are homogenized, in tandem with anaerobic digestion, which uses microorganisms to biologically convert the waste into methane.

Seeing waste-activated sludge as a renewable feedstock is a total paradigm shift for both the industry and the public. Following a thorough assessment study, the transformative technology has been approved for a trial at a pulp and paper mill in British Columbia, with collaboration from federal and provincial governments, as well as universities and industry players. Equipment design and manufacturing are set for December 2010, with the trial unit up and running by early spring 2011.



In these tests, the National Investigation of Cause (IOC) research team – consisting of FPInnovations and other industry/government/academic leaders – found that effluents with BOD of less than 20 mg/L had no effect on fish reproduction. Therefore, mills with good control of their black liquor losses and improved effluent biological treatments should not disrupt the ecological balance of the lakes and rivers surrounding them. As part of the IOC, FPInnovations is further investigating this issue, and the role of biological treatment of effluents to resolve it. Final recommendations are expected within two to three years.





FINANCIAL REVIEW

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

In early 2009, the deepening economic downturn that had begun the previous year caused difficulty for our members. In response, the Board of Directors agreed to adjust the formula for determining membership fee rates, creating a sliding scale that would rise and fall with the industry's economic performance and product prices. Both hit new lows during the year. Invoicing on this new rate scale for the 2009–2010 financial year thus resulted in a 70% decline in membership contributions compared with the previous year.

Continued federal funding of the Transformative Technologies Program, along with other government stimuli and increased financial participation by provincial governments, sustained total revenue at close to previous-year levels (97%). Cost reduction initiatives, primarily from benefits curtailment, downsizing and smaller bad debt write-offs, eased operating expenses to 92% of 2008–2009 figures.

FPIInnovations management successfully carried out the significant research initiatives described elsewhere in this Annual Report. To support the financial management and control of these projects, the company introduced a modern Enterprise Resource Planning (ERP) system on April 1, 2009, replacing three antiquated divisional financial systems. The benefits of this new tool are many and it is proving to be of significant help to managers. In addition, our Human Resources management team has harmonized the various compensation programs, creating a single, uniform set of job descriptions and pay scales. Space rationalization, common signage and more multi-divisional projects are further signs of the merger's growing effect.

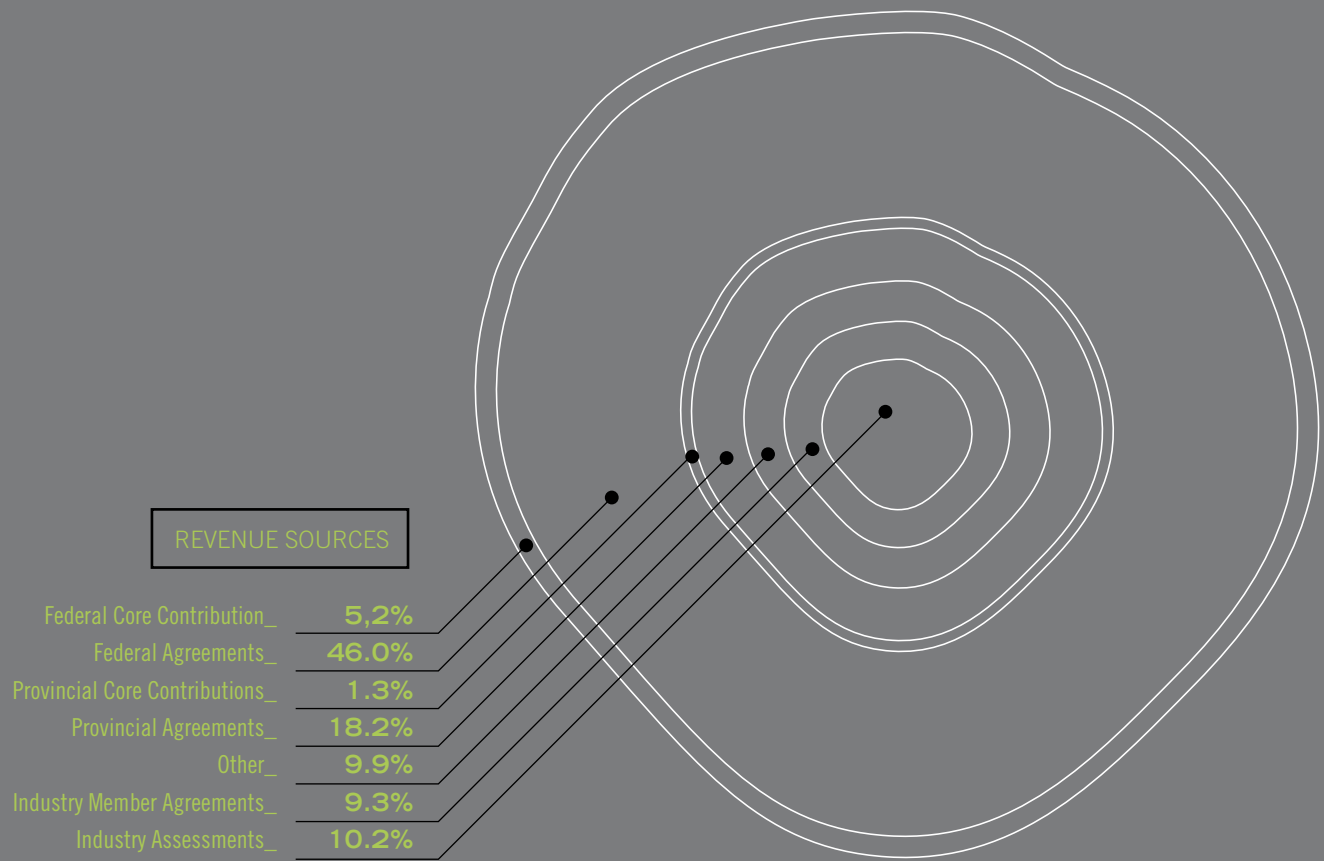
In terms of cash flow, we relied heavily on our \$10 million line of credit with the Royal Bank of Canada, for which we pledged one of our buildings as collateral. During the year, our federal partner began to make some payments in advance instead of in arrears, and by year-end March 31, 2010, we had drawn \$5.1 million against the line of credit, down from \$7.96 million the previous year. By year-end, we had generated a positive operating EBITDA in excess of \$3 million, which was used to fund pension obligations.

As reported previously, significant effort has been made to reverse last year's deficit. Our goal was to be in surplus for 2009–2010 and management is pleased to report that the objective was achieved, with a surplus of \$1.39 million.

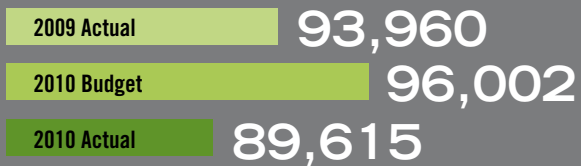


Erik B. Peterson, C.A.
Chief Financial Officer

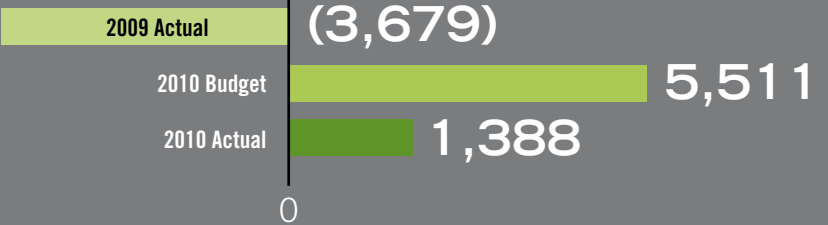
CORPORATE FINANCIAL RESULTS



REVENUE (\$000)

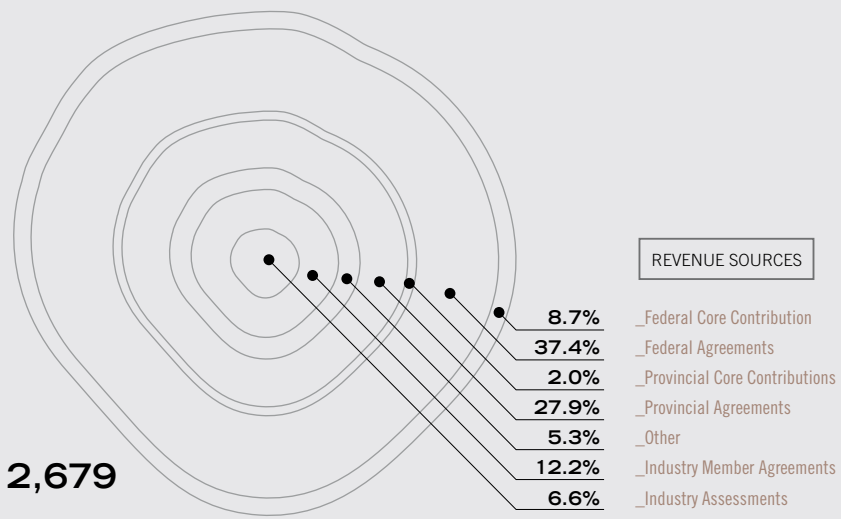
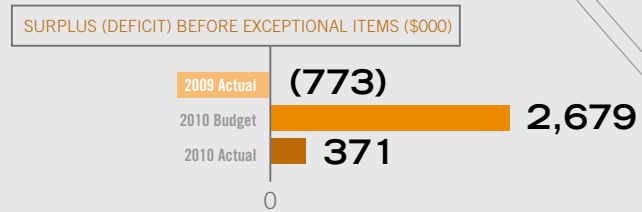
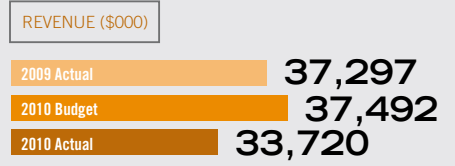


SURPLUS (DEFICIT) BEFORE EXCEPTIONAL ITEMS (\$000)

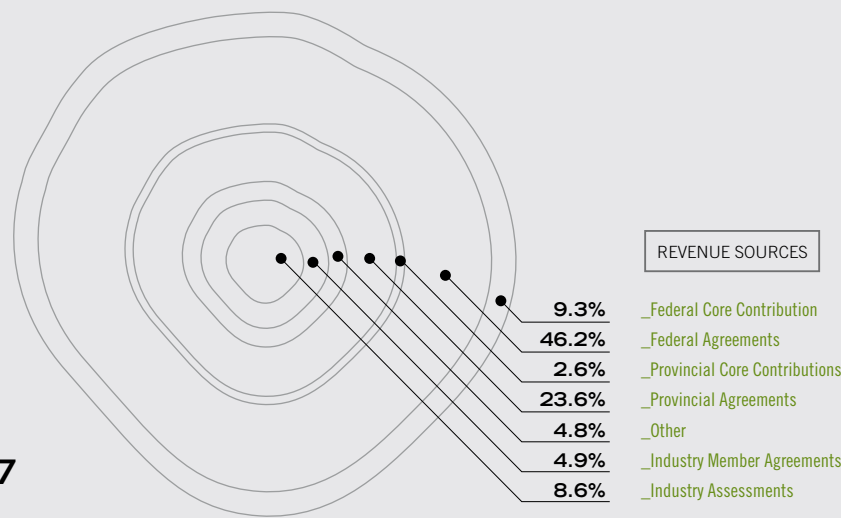
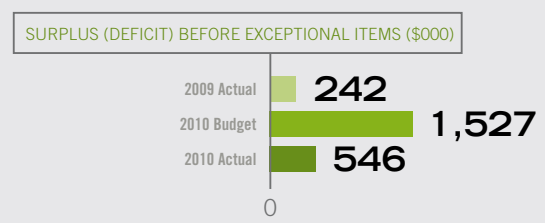
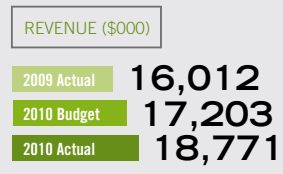


FINANCIAL RESULTS BY SECTOR

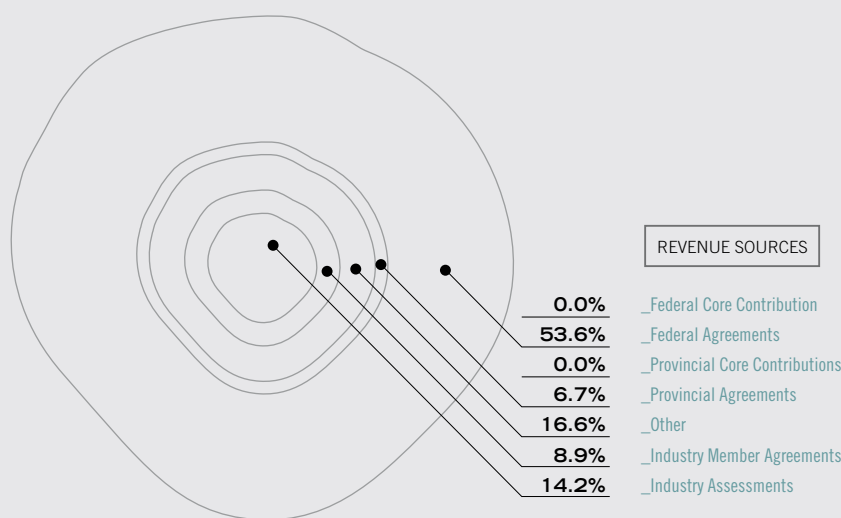
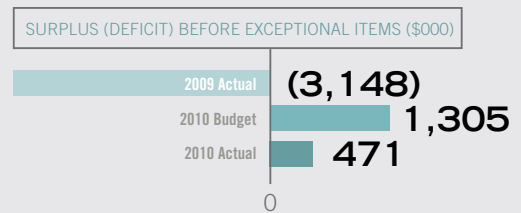
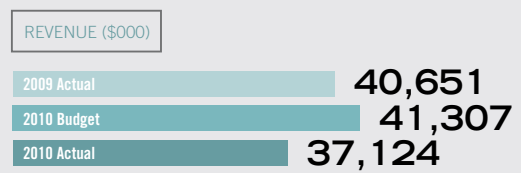
WOOD PRODUCTS



FOREST OPERATIONS



PULP AND PAPER





MEMBERSHIP INFORMATION

LIST OF MEMBERS

AS AT MARCH 31, 2010

- 173827 Canada Inc.
- A. Lapointe & Fils Ltée
- A. Landry Fabrication Ltée
- Acadian Timber / AT Limited Partnership
- Acier Ecan (Division de Acier AGF Inc.)
- ADFAST Corporation (Adchem Adhesives)
- AEF Global Inc.
- Ainsworth Lumber Co. Ltd.
- Akzo Nobel Bois Peintures Ltée
- Alberta Newsprint Company
- Alberta-Pacific Forest Industries Inc.
- Alpa Lumber Inc.
- Arch Wood Protection Canada Corp.
- Architectures Toubois Inc.
- Armoires Cuisines Action
- Armoires Distinction
- Artopex
- Ateliers St-Jean 1992 Inc.
- Atelier Nordik
- Atlantic Industries Limited
- Autolog Inc.
- AV Cell Inc.
- AV Nackawick
- Barrett Enterprises Limited
- BDM + Inc.
- Bégin & Bégin Inc.
- Berklinc Inc.
- BioWOR Technologies Inc.
- Boa-Franc Inc.
- Bois B.S.L. Inc.
- Bois Ditton Inc.
- Bois d'oeuvre Cédrico
- Bois Expansion
- Bois Franc Model Inc.
- Bois Franc Mont-Royal Inc.
- Bois Hunting Inc.
- Boisaco Inc.
- Boise Cascade AllJoist Ltée
- Boucher Brothers Lumber Ltd.
- British Columbia Transmission Corp.
- Camlen Inc.
- Canadian Forest Service
(Natural Resources Canada)
- Canfor
- Canfor Pulp Limited Partnership
- Cariboo Pulp & Paper Co.
- Chemco Acquisition Corp.
- Coast Tsimshian Resources Ltd.
- Collection A2000 / Alphavic Inc.
- Columbia Forest Products Co. Ltd.
- Concept Finimeuble
- Conception R.P. Inc.
- Conférence régionale des élus du
Bas-Saint-Laurent
- Conférence régionale des élus de la Côte-Nord
- Conférence régionale des Élus de la Gaspésie et
des Îles-de-la-Madeleine (CREGIM)
- Corporation Internationale Masonite (La)
- Corporation Spring Air Sommex
- Coopérative Forestière Nord-Ouest
- Coopérative Forestière de Ste Rose
- Coopérative Forestière Ferland-Boilleau
- Coopérative Forestière Girardville
- Coopérative Forestière des Hautes-Laurentides
- Coopérative Forestière de la Matapedia
- Coopérative Forestière de Petit Paris
- Coopérative Laterrière
- Cornerbrook Pulp & Paper (Kruger)
- Création Alpha Design Inc.
- Cuisines Excel Inc.
- Cuisines Laurier
- Damabois Inc.
- Dava Inc.
- Detroit Deisel Allison
- Diacon Technologies Ltd.
- Distribution R. Désilets Inc.
- DK-Spec Inc.
- Doepker Industries
- Domtar Corporation
- Doucet Machineries Inc.
- Dow Chemical Company, The
- Dural, Division of Multibond Inc.
- East Fraser Fiber Co. Ltd.
- Éloi Moisan Inc.
- Energie Miti
- Entreprises D.M. (Les) – Div. de 9143-
4316 Québec Inc.
- Équipements Comact Inc.
- Escaliers Gilles Grenier Inc.
- Estate Hardwood Floors
- Expander Energy Inc.
- Fabrication Delta Inc.
- Federated Co-operatives Limited
- Félix Huard Inc.
- FibreK Inc.
- Fornirama Inc.
- G. Romano Inc.
- Genics Inc.
- Gestion Cyclofor
- Gestion Forestière du St-Maurice
- Gestion Forestière Lacroix
- Gestion Rémabec

Government of Yukon
 Giguère & Morin Inc.
 Groupe Dutailier
 Groupe G.D.S. Inc.
 Groupe Lebel (2004) Inc.
 Groupe NBG Inc.
 Groupe Savoie
 Groupe Servicom Inc.
 — Helmitin Inc.
 Hultdins
 Huppé et Frères Ltée
 Hydro-Québec
 — Industries Perron Inc.
 Industries Lacwood Inc.
 Industries PHL Inc.
 Industries T.L.T. Inc.
 International Forest Products Ltd.
 Innov Protect
 Interbois Inc.
 Island Timberlands LP
 — J.D. Irving Ltd
 J.O. Noël Houle et Fils inc.
 JM Champeau Inc.
 Jacomau Inc.
 Janssen PMP
 Junction Lumber Products Inc.
 — Kenora Forest Products Ltd.
 Kisis Technologies
 Kop-Coat, Inc.
 Kruger Inc.
 — L&M Lumber Ltd.
 L'Antre Gaulois (Menuise Lafrenière)
 La cie matériaux de construction BP Canada/
 BP Building Products of Canada
 Laboratoire Primatech Inc.
 Laboratoires Buckman du Canada Ltée
 Lakeland Mills Ltd.
 Landes Forestières UAPATS Inc.
 Laurentide Innovations et Revêtements
 Lauzon Industries Inc.
 Ledwidge Lumber Company Limited
 Les Adhésifs ADHPRO Inc.
 Les Armoires de Cuisines Denis Couture
 Les Chantiers de Chibougamau Ltée
 Les Entreprises BIZIER Inc.
 Les Entreprises D.M. – Div. De 9143-4316
 Les Industries A.P. Inc.
 Les Industries Amisco Ltée
 Les Industries de la Rive Sud Ltée
 Les Industries Grandmont Inc.
 Les Industries JSP Inc.
 Les Meubles Via Inc.
 Les Planchers Mercier Inc.
 Les Portes Baillargeon Inc.
 Les Produits Forestiers ARBEC s.e.n.c.
 Les Produits Forestiers DG Ltée
 Liebherr Canada Ltd.
 Lignol Innovations Corp.
 Lincoln Paper
 Louisiana-Pacific Corporation
 LP Engineered Wood Products Ltd.
 — M.C. Forêt Inc.
 Machinerie Lico Inc.
 Machinerie Tanguay Inc.
 Maibec Inc.
 Manning Diversified Forest Products Ltd.
 Marcel Lauzon Inc.
 Marwood Ltd.
 Matériaux Blanchet Inc.
 Matelas Mirabel Inc.
 McRae Lumber Company Ltd.
 Meadow Lake OSB Limited Partnership
 Meuble Idéal Ltée
 Meubles Busch (1980) Inc.
 Meubles Canadel Inc.
 Meubles Concordia Ltée
 Meubles Gober Inc.
 Meubles Laurier Ltée
 Meubles Val-Mauricie
 Microtec Industries North American Inc.
 Mill & Timber Products Limited
 Millar Western
 MLT International Inc.
 Mobilier de Bureau Logiflex Inc.
 Moncrief Renewables Ltd.
 — NEFAB
 Nicobois Inc.
 Nokamic Inc.
 Norteck
 New Page Port Hawesbury Ltd.
 Northland Forest Products Ltd.
 — Olosfors Inc.
 OSI Machinerie Inc.
 Outils Gladu S.E.N.C.
 — Pacific Carbon Trust
 Panolite
 Parquets Alexandra inc.
 Peinture Can-Lak Inc.
 Planchers de bois-francs Wickham
 (2639-1862 Québec Inc.)
 Planchers des Appalaches Limitée
 Planchers Mistral Inc.

Planit Canada
 Porter Engineering Ltd.
 PPG Industries Inc.
 Précitech International Inc.
 Preverco Inc.
 Produits forestiers Arbec
 Produits forestiers Canbo Inc.
 Produits forestiers Lamco Inc.
 Produits forestiers Saguenay Inc.
 Produits forestiers Temrex s.e.c.
 Province of Alberta
 Province of British Columbia
 Province of Manitoba
 Province of New Brunswick
 Province of Newfoundland and Labrador
 Province of Nova Scotia
 Province of Ontario
 Province of Québec
 Province of Saskatchewan
 — RCFC Holding Company Ltd.
 René St-Cyr 1996 Inc.
 Richmond Plywood Corporation Ltd.
 Rio Tinto Minerals (U.S. Borax)
 Rocky Wood Preservers Ltd.
 Rodi Design Inc.
 Roland Boulanger et Cie Ltée
 Roméo Laflamme et Fils Inc.
 Rustic Portes et fenêtres
 — Sawquip International Inc.
 Sealy Canada Ltée
 Scierie Duhamel
 Scierie Jean Riopel Inc.
 Scierie Leduc, Division de Stadacona s.e.c.
 Scierie SerDam Inc.
 Scierie St-Elzéar
 Scierie St-Fabien Inc.
 Scierie Tech Inc.
 Scieries Chaleur
 SCS Forest Products, Inc.
 Séchoir MEC Inc.
 Seven Islands Land Company
 Signature Cuisines A.C. Inc.
 Silvana Import Trading Inc.
 Simard cuisine et salle de bains
 Simon Lussier Ltée
 Sherwin-Williams Company (The)
 Simonds International
 Slave Lake Pulp
 Snowcap Lumber Ltd.
 SOCAM
 Soli-Meubles 1997 Inc.
 Solive Ajourée 2000 Inc.
 Solowave Design Inc.
 Spray Lake Sawmills (1980) Ltd.
 St. Mary's Paper Corp.
 Stadacona S.E.C. (White Birch Paper)
 Stella Jones Canada
 Strachan Forest Products
 Structurlam Products Ltd.
 Stuwix Resources Joint Venture
 Sundance Forest Industries Ltd.
 Sylviculture La Vérendrye
 Systech Industries Inc.
 — Teal-Jones Group, The
 TekmaHeat Canada
 Teknion – Roy & Breton Inc.
 Tembec
 Tembec Resin Group
 Thermo Structure Inc.
 Timber Specialties Co.
 TimberWest Forest Corp.
 Tire Pressure Control International
 Tolko Industries Ltd.
 Tournage Beau-Bois Ltée
 Tournage de Bois Dynastie Ltée
 Triangle Kitchen Ltd.
 Trica Inc.
 Tri-Tex Co. Inc.
 TruALL Building Components
 Truckbase Corporation
 — Uniboard Canada Inc.
 Univ. of Northern British Columbia
 USNR
 — VAB Solutions Inc.
 Valspar Inc.
 Vanderwell Contractors (1971) Ltd.
 Viance
 — West Fraser Timber Co. Ltd.
 Western Archrib
 Western Forest Products Inc.
 Westmill Industries Ltd.
 Weyerhaeuser
 Windsor Technology
 Winton Global
 WOLFTEK Industries Inc.
 WoodPlus Coatings
 — Zavisha Sawmills Ltd.
 Zellstoff Celgar Limited Partnership

RESEARCH ADVISORY STEERING COMMITTEES

ON WOOD PRODUCT-BASED INITIATIVES

Chairman

Vacant

Catherine Cobden

Forest Products Association of Canada

Joe Costantino

Millar Western Forest Products

Sophie D'Amours

Université Laval

Jyotsna Dalvi

Industry Canada

André Denis

Québec Ministry of Natural Resources
and Wildlife

Lynn Embury-Williams

Canadian Forest Products

Bob Friesen

British Columbia Ministry of Forests and Range

Peter Kofoed

Western Forest Products

Norbert Maltais

Scieries Chaleur

Eric Michaud

Domtar

Ryan Oliver

Tolko Industries

Steve Price

Alberta Advanced Education and Technology
Life Sciences Institute

Dan Price

Tolko Industries

Tom Rosser

Natural Resources Canada

Dennis Rounsville

Tembec

ON FOREST OPERATION-BASED INITIATIVES

Chairman

Don Banks

Tolko Industries

Melanie Boyce

British Columbia Ministry of Forests and Range

Ronald Brizard

Québec Ministry of Natural Resources
and Wildlife

Bruce Chisholm

New Page Port Hawkesbury

Catherine Cobden

Forest Products Association of Canada

Ralph Court

Weyerhaeuser Company

Jyotsna Dalvi

Industry Canada

Ken Higginbotham

Canadian Forest Products

Frank Kennedy

Ontario Ministry of Natural Resources

Martin Landry

Kruger

Claude Lebel

Norbord

Scott Marleau

West Fraser Mills

Michael Martel

Tembec

Bob Nichol

Alberta-Pacific Forest Industries

Michael O'Brien

Domtar

Robert Pinette

J.D. Irving

Tom Rosser

Natural Resources Canada

Doug Sklar

Alberta Ministry of Sustainable
Resource Development

Tat Smith

University of Toronto

Dave Whiteley

TimberWest Forest Corp.

Eric Young

Newfoundland Forest Service

ON PULP AND PAPER-BASED INITIATIVES

Mike Bradley

Canfor Pulp Limited Partnership

Catherine Cobden

Forest Products Association of Canada

André Denis

Québec Ministry of Natural
Resources and Wildlife

Yvon Giroux

Industry Canada

Al Hitzroth

Zellstoff Celgar Limited Partnership

Bob Jones

Natural Resources Canada

Patrice Mangin

Université du Québec à Trois-Rivières
– Centre intégré en pâtes et papiers

Bruno Marcoccia

Domtar

Guy Martin

Domtar

Lois McNabb

British Columbia Ministry of Forests and Range

Daryl Nichol

Alberta-Pacific Forest Industries

Yvon Pelletier

Tembec

Martin Pudlas

Canadian Forest Products

Tom Rosser

Natural Resources Canada

Stéphane Rousseau

Kruger

Marc-André Tremblay

FibreK (formerly-known as SFK Pulp Fund)

ON FIBRE-BASED INITIATIVES

Co-chair

Jim Farrell

Natural Resources Canada

Co-chair

Ken Higginbotham

Canadian Forest Products

Jorg Beyeler

Government of Nova Scotia

Paul Watson

Canfor Pulp

Blake Brunson

J.D. Irving

Francis Forcier

Québec Ministry of Natural
Resources and Wildlife

Keith Deering

Newfoundland and Labrador
Department of Natural Resources

Cheryl Lewis

Ontario Ministry of Natural Resources

James Fyles

McGill University (SFM Network)

Michael Martel

Tembec

Keith McClain

Alberta Ministry of Sustainable
Resource Development

Bob Nichol

Alberta-Pacific Forest Industries

Winn Hays-Byl

British Columbia Ministry of Forests and Range

CORPORATE INFORMATION

As at March 31, 2010

OFFICERS OF THE CORPORATION

President and Chief Executive Officer

Pierre Lapointe

Vice President

Jean Hamel

Executive Vice President

Jim A. Dangerfield

Chief Financial Officer

Erik B. Peterson

Corporate Secretary

Norine Young

BOARD OF DIRECTORS

Chair

Jim Lopez

Tembec

Ken Higginbotham

Canadian Forest Products

Don Banks

Tolko Industries

Hank Ketcham III

West Fraser Timber Co.

Kent Campbell

Saskatchewan Ministry of Energy and Resources

Pierre Lapointe

FPIinnovations

David Lindsay

Ontario Ministry of Natural Resources

Avrim Lazar

Forest Products Association of Canada

Dana Hayden

British Columbia Ministry of Forests and Range

Yvon Pelletier

Tembec

Jim Farrell

Natural Resources Canada

Charles Tardif

Industries Maibec

Dan Wilkinson

Alberta Ministry of Sustainable
Resource Development

Al Ward

Alberta-Pacific Forest Industries

Observer

Jyotsna Dalvi

Industry Canada

BOARD MEMBERS WHO RESIGNED OR RETIRED IN 2009–2010

David de Launay

November 30, 2009

Phil Latos

November 30, 2009

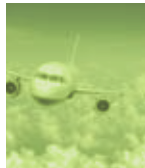
John Dyble

September 8, 2009

David Paterson

November 30, 2009

FPIinnovations wishes to thank these former Board members for their valuable contribution to the company.



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