

ANNUAL REPORT

2004



Burns Lake

Community Forest Ltd.

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TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
Mayor's Address	3
Foreward	4
President's Report	5
General Manager's Report	9
Financial Report	10
Mission Statement & Emerging Strategy	11
Corporate Data	12

ON THE COVER
Bridge on Star Lake Trail.
Dawn Stronstad Photo



The Corporation of
The Village of Burns Lake

Gateway to Tweedsmuir Park

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OFFICE OF THE
MAYOR

April 26, 2005

To All Residents of the Lakes District:

BURNS LAKE COMMUNITY FOREST LTD. 2004 ANNUAL REPORT

Attached you will find the annual report of your community-owned forest corporation, Burns Lake Community Forest Ltd.

As you'll note, the company had another successful year in financial terms, recording a profit of slightly more than \$100,000 on gross revenues of approximately \$5 million. It also continued to provide meaningful employment to local residents and made significant financial contributions to local non-profit organizations. I'd be remiss in not pointing out these achievements came during a period when prices paid for the company's primary product were extremely low.

One of the biggest stories of 2004, both from a company and community standpoint, was the news that Burns Lake Community Forest Ltd. would be offered BC's first long-term Community Forest License. Minister Roger Harris' historic announcement last September marked the successful conclusion of an intense lobbying campaign by Burns Lake council and community forest leaders, and represented the realization of a dream held in our community since 1972.

The awarding of long-term tenure to BL ComFor is a monumental achievement, not only for the company's board of directors, but our community as a whole. It's also testament to the dedication and hard-work of the company's employees, who have proven beyond a shadow of doubt that the Lakes District is a continental leader in the field of community forestry.

Your community-owned forest corporation continues to be a tremendous asset to our area and something of which we can all be proud. It is my sincere hope that armed with a new long-term tenure, the company will continue to build on its outstanding record of success in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernice Magee". The signature is written in a cursive, flowing style.

Bernice Magee
Mayor

Foreward

Burns Lake Community Forest Ltd. was formed in December 1998 as the governance model selected by the community to respond to the Request For Proposals issued by the Province of B.C. The community's reason for pursuing this license was to secure some form of management input into the working forest surrounding the village, and to gain some control over local forest resources for social and economic reasons.

The community forest license was signed July 7, 2000 with a initial Annual Allowable Cut (AAC) of 23,677 cubic metres (m³). The community forest begins in the east on the south side of Burns Lake near Priestly Hill, and extends west to the Gerow Creek drainage on the south side of Decker Lake. The portion north of Burns Lake in the Boer Mountain-Star Lakes area extends to south of Division Lake.

Tree species include lodge pole pine, Engelmann white spruce crosses, and balsam fir, as well as trembling aspen, cottonwood, and birch. Elevation in the community forest ranges from 700 to 1400 meters in the SBSdk, mc2 and ESSFmc ecosystem classifications.

Wildlife includes moose, mule, and white tail deer, black and grizzly bear, as well as many fur-bearing animals. Guide-outfitters and trappers rely on the land base for their income. Bird species are diverse, and use the many riparian areas, streams, and lakes for habitat.

Outdoor recreational pursuits by local residents include skiing, snowmobiling, All-Terrain Vehicle (ATV) use, hunting, fishing, and hiking.

The community forest is governed by an nine member board of directors, and includes representation from the Corporation of the Village of Burns Lake (one director), Burns Lake Band (one director), the Office of the Wet'suwet'en Hereditary Chiefs (one director). Six directors are chosen from the community at large, and the present board includes a College of New Caledonia employee, the owner of a small sawmill, a former journalist, a retired businessman, and two retired forestry industry employees. The woods manager of a large forest licensee, the Village of Burns Lake's chief administrative officer, and a director for the Regional District of Bulkley-Nechako, and forestry consultant currently serve the board in an advisory capacity.

In keeping with the company's goal of maximizing local employment and economic benefits, all of its forest management, construction, and logging activities are contracted out to residents of the Lakes District.

The company's board continues to encourage participation from the local community, and would like to see more residents express interest in serving on the board of directors.



President's Report

In 1998, members of the Burns Lake Community Forest Steering Committee established the following Mission Statement & Emerging Strategy for your community owned forest corporation, Burns Lake Community Forest Ltd. (BL ComFor):

“Burns Lake Community Forest Ltd. (BL ComFor) will manage and operate its Community Forest license in a manner that will enhance the forest resource while respecting the principles of integrated use, environmental stewardship, and public consultation. The corporation's activities will provide the following benefits to the community on a sustainable basis:

Local management of resources;

Local processing;

Local employment;

Forestry training & education;

Outdoor recreation activities;

A lasting relationship with the land that comprises the Community Forest; and

Revenue (to sustain the corporation and to support the community.”

Seven years later, these goals and ideals continue to guide the company's activities and form the backbone of its corporate strategy. I'm pleased to say, too, that BL ComFor continued to build on its record of success in 2004 by meeting or exceeding the original expectations of its founders.

What follows are some of BL ComFor's accomplishments during the past 12 months.

Local Management of Resources:

BL ComFor has always been committed to local management of the resources contained within the community forest; in fact, it's the company's 'raison d'etre'.

In 2004, your board of directors – comprised of nine dedicated Lakes District residents – managed the forest resources on approximately 24,000 hectares of Crown land. These resources were managed for the benefit of all residents of the Lakes District, and not for one special interest group; furthermore, the strategies employed took into consideration the importance of managing the resources for all users (recreation enthusiasts, wildlife, etc.)

The company harvested approximately 85,000 cubic metres (m³) of timber in 2004. This accelerated rate of cut is necessary to deal with the Mountain Pine Beetle, which is wreaking havoc throughout the community forest. A significant portion of the community forest's mature pine trees have already been hit hard by the bug, and the company is concentrating its harvesting solely on beetle-infested pine stands – even if it means significantly increasing the level of cut over the next few years. Harvesting “green attack” trees now will ensure the company (and hence the community) gains maximum value from the timber resource and can bring the affected forest lands back into production as quickly as possible.

Local Processing of Resources:

In keeping with the Mission Statement & Emerging Strategy, all of BL ComFor's 2004 harvest was sold to local milling companies. This helped maintain existing levels of employment in local processing facilities.

Local Employment:

In 2004, Burns Lake Community Forest Ltd. created approximately 35,000 man/hours of direct employment in harvesting, silviculture, road-building, recreation trail construction, recreation site and provincial park maintenance, and a variety of other activities. The company also helped maintain and create local jobs by purchasing more than \$3.7 million worth of goods and services in the community.

Forestry Training & Education:

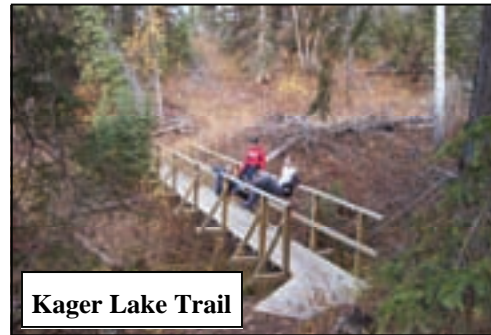
BL ComFor's capable staff continued to visit local schools and provide local students with education on forestry-related topics. They also participated in other school-based activities. The company sponsored a very successful log home building course through the College of New Caledonia.

Training activities will not only provide local residents with valuable skills, but may help diversify our economic base and create value-added opportunities in the forest sector.

Outdoor Recreation Activities:

As alluded to earlier in this report, the company continues to promote recreational use of the community forest. The company financed the creation of a new hiking trail in the Star Lake area in 2004 by providing funding to the Lakes Outdoor Recreation Society. In total, BL ComFor or its affiliates have constructed approximately 17 km of new trails in and around Burns Lake during the past five years.

BL ComFor continues to fund maintenance of hiking trails and recreation sites that were formerly the responsibility of the Ministry of Forests. Two provincial parks in this area are also maintained by local contractors with funds from Burns Lake community forest.



Kager Lake Trail

A Lasting Relationship With The Land That Comprises The Community Forest:

For the past five years, BL ComFor has managed local forest lands under a pilot agreement with the Ministry of Forests. However, as a result of an announcement last September by the provincial government, local residents can finally count on having a "lasting relationship" with the community forest.

I'm very pleased to say that in 2004, Burns Lake Community Forest Ltd. became the first organization to BC to be offered a long-term Community Forest Tenure. The terms of this new deal will ensure that local residents, through BL ComFor, will have management authority over the community forest for a minimum of 25 years. In fact, if the company continues to meet or exceed its commitments to the province (and we have no reason to believe it will do otherwise), local residents can expect the community forest to provide benefits *in perpetuity*.

Culturally Significant Economic & Educational Opportunities for First Nations:

As hereditary users of those lands now contained within the community forest, First Nations groups continue to be important partners in BL ComFor.

In keeping with its Mission Statement, the company continued to provide First Nations with significant benefits and opportunities. For example, a First Nations' company was awarded a contract in 2004 to complete BL ComFor's reforestation work.

BL ComFor has also been heavily involved in the financing and construction of Burns Lake's new First Nation's interpretive centre. This centre, located at the junction of Highway 16 and Sixth Avenue, will feature information relating to the history and culture of local First Nations.



Log Building course at CNC

Revenue (to sustain the corporation and support the community):

From a financial point of view, 2004 was a very good year for BL ComFor. The company recorded a profit of \$105,294 on gross revenues of \$5,042,855. While such financial performance certainly won't turn the head of anyone on Wall Street, it bears noting that it was achieved during a period when the price paid for BL ComFor's primary product (raw logs) hit yet another low.

The company also contributed a significant amount of its revenue to the community. In 2004, BL ComFor donated \$352,000 to local non-profit organizations, and \$72,000 in the month of December alone. The list of groups that benefited financially from the community forest in 2004 includes:

- Lakes District Senior Citizens Housing Association - \$50,000
- Lakes District Senior Citizens Housing Association - \$1,200 (load of firewood)
- Lakes District Hamper Program - \$1,000 (in addition to \$500 given in November)
- Burns Lake Volunteer Fire Department - \$500 (for fireworks)
- UNBC Northern Medical Program Endowment Fund - \$10,000
- The Pines - \$1,000
- Lakes District Food Bank Coalition - \$2,500
- Parks & Playgrounds - \$2,500
- Burns Lake Public Library - \$10,000
- Burns Lake Snowmobile Club - \$5,000 (for upcoming snowmobile races)



Logger's Sports at the Fall Fair

BL ComFor also provided \$235,000 for the Village of Burns Lake's new First Nations interpretive centre along Highway 16, and has designated more than \$100,000 to cover the facility's future operating costs.

As you can see, 2004 was a banner year for Burns Lake Community Forest Ltd. Yet your board of directors has no intention of resting on its laurels.

Armed with a long-term forest license, the company now has the security needed to undertake long-term initiatives – not just in the forest industry, but in other sectors of the local economy.

I firmly believe that the key to our company's long-term survival lies in diversification. Obviously, forestry-related activities will be the company's corporate backbone in perpetuity. However, it's important that we don't ignore the impact the Mountain Pine Beetle will have here, not only on BL ComFor's operations, but on the forest industry in general.

There is little doubt the beetle will dramatically change this area's forests, and those changes will be mirrored in the forest industry. The seemingly limitless stands of mature pine that have created enormous wealth for the forest industry will be gone; what will remain are stands of spruce, balsam, deciduous trees, and immature pine. The amount of available timber – both in the community forest and elsewhere in the region – will also decline.

These changes will alter our forest industry for a generation. To survive, forest companies will need to find ways of creating value from timber of lesser or marginal value. BL ComFor, for example, will have to find ways of generating revenue from a decreased "fibre basket", as its Annual Allowable Cut will ultimately decline as a result of the beetle infestation.

Project Forest Management



2004

Change is coming, both for our company and the community. To survive, we must both adapt. As a result, don't be surprised if the company becomes involved in other ventures unrelated to the forest industry. To do otherwise would be imprudent; after all, only the short-sighted place all their financial eggs in one basket.

Does the future sound scary? Perhaps, but let's not forget that with every crisis comes opportunity. I firmly believe that BL ComFor can be a vehicle for promoting economic diversification in the Lakes District. By making strategic investments both in the forest industry and other sectors of the economy now, the company can play a key role in ensuring the long-term sustainability of our community. Isn't that something we all want?

In closing, I want to thank my colleagues on the board of directors for their efforts over the past year. Thanks also go out to our company's dedicated staff members and contractors, all of whom went "above and beyond" to ensure the company's success.

I would be remiss in not expressing appreciation to local residents and former members of BL ComFor's board. If not for the efforts of people such as Cliff Manning, Brian Thompson, Miles Fuller, Andrew George Jr., and so many others, Burns Lake Community Forest Ltd. would not be what it is today: a leader in the field of community forestry.

BL ComFor stands poised to enter a new period in its history. 2004 was a great year for our community and your community-owned forest company. However, I have every reason to believe that 2005 will be even better.

Respectfully,
Michael Riis-Christianson
President



Star Lake Construction Crew at work

General Manager's Report 2004

The highlight of the year and the culmination and at long last, an offer for a Long Term Community Forest licence was presented to the Board on September 24, 2004. This agreement will provide the corporation with potential to contribute to community stability for years to come. The long term licence may also provide opportunities for manufacturing and/or value added businesses in the future.

The beetle infestation continues to spread and will probably affect all our pine forests by 2008. The key will be to adapt our strategies to maximize the value of the affected stands, and investigate the new opportunities the dry wood will provide. Reforestation and protecting other resource values will be a high priority, as always, but will present significant challenges in dealing with the unknowns of a post beetle forest.

Log market prices were lower than 2003, increasing the difficulty for the company and local contractors to harvest with an economic return. What the future holds is rather unpredictable, and the resulting response by the Board of Directors is a "no debt" business model. This should ensure the company will continue to operate in these difficult times.

On a positive note, the Community Forest provided the majority of the funding required to maintain Forest Service recreation sites in the Lakes Forest District, half the funding for the Tourist Info/ Interpretive Centre, and a significant contribution to the Senior's assisted living project in this fiscal year. The community forest company also contributed financially and in-kind to many community organizations.

I would like to welcome Alistair Schroff, (RPF, RPBio) as our new Operations Manager, and hopefully he will assume the role of General Manager of Burns Lake Community Forest Ltd. when I am turned out to pasture. I would also wish to welcome Margaret Westerman, (AAT) as our new Accountant. She formerly worked at the Village of Burns Lake doing our accounting from that location.

Both can be found in the basement with the rest of the Comfor basement dwellers.

I thank you, the community, for continuing to assist in the success of community forestry in Burns Lake.

Respectfully submitted,

Ken Guenter
General Manager



**Burns Lake Community Forest Ltd.
Financial Position
AUDITED BY MCALPINE & CO.**

(For the Period Ending Dec. 31, 2004)

REVENUE:

Harvesting	\$4,706,923
Contract	197,212
Reimbursed Expenses	10,287
Misc income	31,600
Rental income	<u>96,833</u>
	\$5,042,855

EXPENSES:

Sub-contract	\$3,571,401
Administration	215,112
Depreciation	180,477
Stumpage and Royalties	535,968
<u>Donations to community</u>	<u>352,000</u>
	\$4,854,958

GROSS MARGIN

	\$ 187,897
Other income	7,178
Income Tax	<u>- 89,781</u>
Net Income (Profit)	<u>\$ 105,294</u>



Burns Lake

Community Forest Ltd.

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MISSION STATEMENT

Burns Lake Community Forest Ltd. (BL Comfor) will manage and operate its Community Forest license in a manner that will enhance the forest resource while respecting the principles of integrated use, environmental stewardship, and public consultation. The corporation's activities will provide the following benefits to the community on a sustainable basis:

- Local management of resources;
- Local processing;
- Local employment;
- Forestry training & education;
- Outdoor recreation activities;
- A lasting relationship with the land that comprises the Community Forest; and
- Revenue (to sustain the corporation and to support the community.)"

EMERGING STRATEGY

To fulfill Burns Lake Community Forest Ltd.'s vision of sustainability, the key management strategy is to provide a steady flow of revenues.

The company will contribute towards community sustainability by providing fibre to companies wishing to expand employment opportunities within the Lakes District. Additional wood suppliers are provided opportunities to purchase wood from the company's operations when it is available.

The company will endeavour to use safe, ecologically-based, and efficient forest practices to safeguard the environment while allowing the best use of timber resources.

The company will be aggressive in involving the public in its business through regular reports to the community and use of public information and consultation sessions like the annual general meeting. First Nations whose traditional territory encompasses the community forest are guaranteed a seat on the corporation's board, and will be involved in all aspects of resource development within the community forest. They will be actively encouraged to participate in the formulation of management plans and strategies that will further their goals in the target area while creating benefits for the community as a whole.

Contract work and purchases of goods and services will go up for public tender when possible, with preference given to local businesses and members of the Small Business Forest Enterprise Program. The Burns Lake Community Forest Corporation will be a leader in planning, reviewing and protecting all the resource values of the Community Forest, and will give strong support for developing and training a local workforce for efficient and effective forest management. The company will also support research and development.

The Burns Lake Community Forest Corporation's general management will produce timely reports on company operations for release to local media and to the general public.

The company will improve upon the normal standards of public information and consultation which are required of forest tenure holders in the province.

Corporate Data

Office Location: 153 Francois Lake Drive
P.O. Box 788
Burns Lake, BC V0J 1E0
Tel: (250) 692-7724 Fax: (250) 692-7767
e-mail: info@blcomfor.com

Staff: Ken Guenter, General Manager
Alistair Schroff, Operations Manager
Dawn Stronstad, Operations Forester

Accountant: Margaret Westerman

Auditor: Curtis Billey, McAlpine & Company

Bank: Bulkley Valley Credit Union
(Lakes District Branch)

Board of Directors: Michael Riis-Christianson (President)
Nicholas (Dan) George (Vice-president)
Lynn Synotte (Secretary)

(Directors)

Jeff Brown	Paul-Henri Jean
Bernice Magee	Herb Neville
Steve Reid, Sr.	Brian Thompson

Advisory Committee: Tan Calhoun, RPF	Cliff Manning
Lonny Miller	Rosanne Murray

