

ANNUAL REPORT

2008-2009



ComFor
Management Services Ltd.

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ON THE COVER Hoodoos in Eagle Creek Canyon

VILLAGE OF
**BURNS
LAKE**



The Corporation of
The Village of Burns Lake

Gateway to Tweedsmuir Park
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**OFFICE OF THE
MAYOR**

January 4, 2010

To All Residents of the Lakes District:

RE: COMFOR MANAGEMENT SERVICES LTD. (CMSL) 2008-09 ANNUAL REPORT

As the Mayor of Burns Lake, I look forward to receiving the Annual Report from Comfor Management Services Ltd. As with many companies, non-profit organizations, and governments, 2009 was a trying year. Both the Village of Burns Lake and CMSL were required to make difficult decisions; however, out of hardship comes great opportunity.

Comfor Management Services Ltd. is a strong community partner, and despite significant economic difficulties, it was able to continue supporting various non-profit organizations in Burns Lake and the surrounding area. Comfor Management Services Ltd. supports the entire Lakes District community, not just those citizens who reside within the Village of Burns Lake boundaries. CMSL provides employment and contracts for many of our friends, family, and neighbours. Burns Lake is proud to be home to our Community Forest.

We would like to thank the Board of Directors of Comfor Management Services Ltd. for their continued commitment to our community. We strive to provide a fair and equitable opportunity for community representation on the Board of Directors, and thank all those who have put their names forward as prospective directors. Continued patience, wisdom, and understanding is required to help guide CMSL through these turbulent times.

The Village of Burns Lake is looking forward to the prospects 2010 will offer, and wishes CMSL great success in its future endeavours.

Sincerely,

Bernice Magee
Mayor

c.c.: Village of Burns Lake Council



A Message From The President

On behalf of the board of directors, I am pleased to present this report on the activities and operations of Comfor Management Services Ltd. (CMSL) and its subsidiaries.

As most residents the Lakes District know, CMSL's shares are held by the Corporation of the Village of Burns Lake on behalf of all residents of the Lakes District. The company, which specializes in providing professional management and administrative services, has four subsidiaries: Burns Lake Community Forest Ltd. (BLCF), Sheraton Holdings Ltd., Endako River Timber Ltd., and 0818725 BC Ltd. (an inactive holding company). Known collectively as the Comfor Group, these firms are involved in forest license and financial management, specialty saw-milling, and administration.

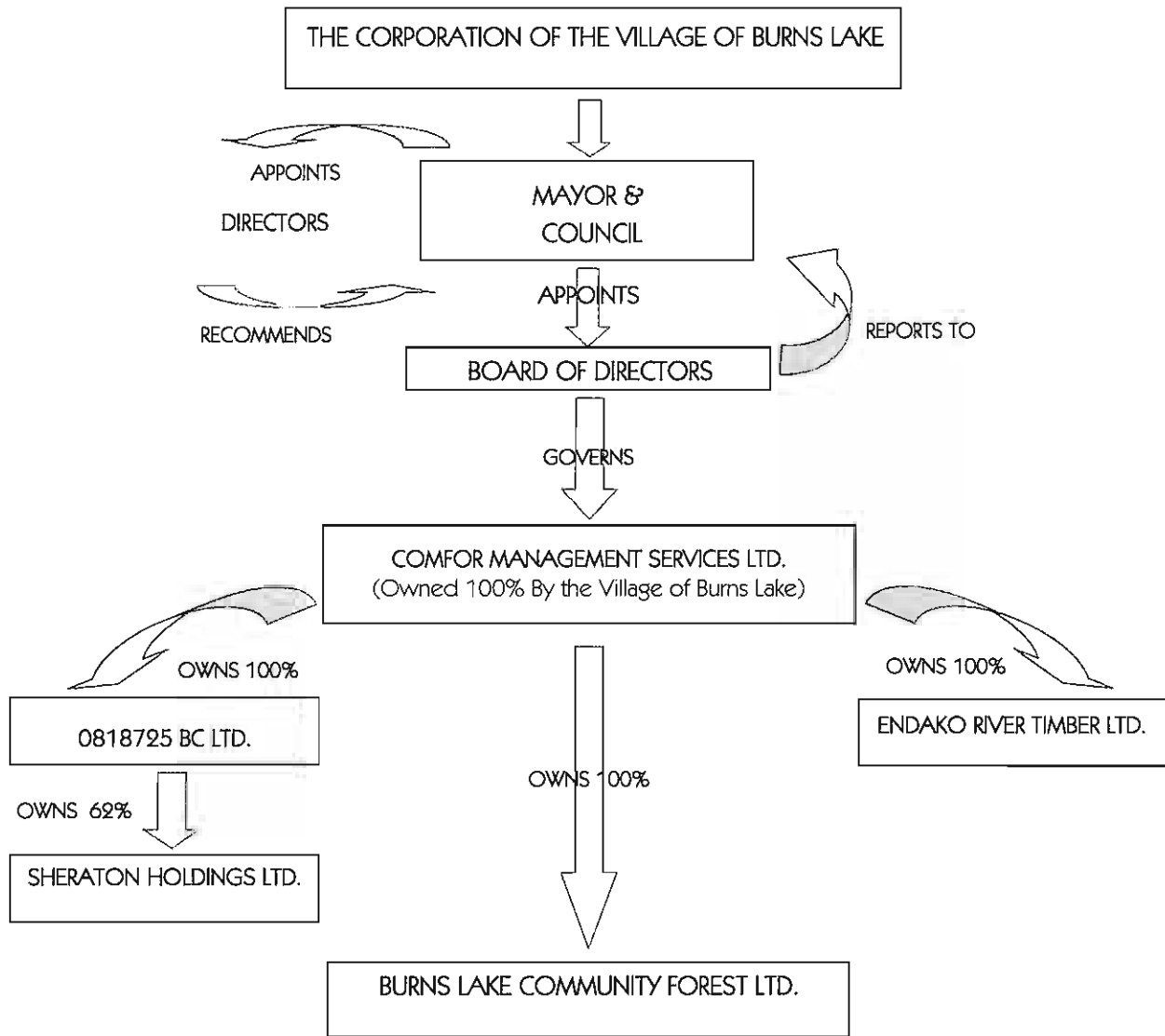
Like most companies, the Comfor Group faced significant challenges in the 2008-2009 fiscal year. The global recession hit your community-owned companies hard and resulted in the corporate group recording its first consolidated loss since CMSL's establishment in 2001. The unprecedented slowdown in economic activity throughout the region resulted in a dramatic decline in corporate revenues; to cope with the 'new economic reality', Comfor Management Services Ltd. and its subsidiaries underwent massive restructuring. Along the way, Lakes Communications Inc., the Comfor Group's wireless internet service provider, was sold to ABC Communications of Quesnel.

While there are signs that the global economy is recovering, the outlook for 2009-10 remains austere. I wish to assure you, however, that the long-term sustainability of your community-owned corporations is not at risk. CMSL and its subsidiaries have all implemented strategies designed to ensure they 'weather the economic storm.' All are confident they will emerge from this economic downturn leaner, stronger, and poised to explore new business opportunities. In fact, all three companies managed (despite limited human and financial resources) to undertake several new initiatives in 2009 that will broaden their scope of business and create new revenue streams.

Although the corporate group's financial performance in 2008-09 was disappointing, the companies continue to be a tremendous asset to our area. Comfor Management Services Ltd., Burns Lake Community Forest Ltd., and Sheraton Holdings Ltd. continue to make significant contributions to our community, providing direct employment to no fewer than 55 local families. It is my sincere hope that the companies will continue to build on their outstanding record of success in the years to come.

Lianne Olson, President (CMSL)

**CORPORATE STRUCTURE OF
COMFOR MANAGEMENT SERVICES LTD. (June 1, 2009)**



A condition of the Long-Term Community Forest Agreement 'K1A' is to manage for the purpose of;

- 1) making improvements to the land base; and
- 2) generating benefits for all residents of the Lakes Timber Supply Area.

Comfor Management Services Ltd. manages all the assets separately in order to protect the taxpaying residents of Burns Lake from the legal and financial risks associated with business.

COMFOR GROUP OF COMPANIES

Year at a Glance

June 2008:

- Work begins on cleaning up former Endako River Timber Ltd. mill sites on Babine Road and Highway 16 East.
- In response to BC Hydro's Bioenergy Call For Power, Burns Lake Energy Partnership LLP (a consortium consisting of Comfor Management Services Ltd., Pioneer Family Energy Partnership, Renegy, and others) submits its proposal to build a bioenergy plant in the Burns Lake.
- Comfor Management Services Ltd. assists Burns Lake Band by providing funding to complete a business plan for The Gathering Place.
- Burns Lake Community Forest Ltd. begins to explore opportunities in silviculture liability transfer and carbon trading.

July 2008:

- Board approves motion to place 30 per cent of corporate retained earnings into general reserve fund.

August 2008:

- Office of the Information & Privacy Commissioner rejects CMSL's arguments that neither it or its subsidiaries are subject to the *Freedom of Information & Protection of Privacy Act*. Company requests formal review of the issue.
- Report of the Comfor Consultation Working Group is released. The committee makes more than a dozen recommendations relating to operations of the corporate group.

September 2008:

- BLCF negotiates first silviculture liability transfer agreement. Under deal, BLCF agrees to assume another company's silviculture liabilities in exchange for a fee.
- Two community projects (fuel mitigation, snowmobile trail construction) approved under the provincial Job Opportunities Program, and Burns Lake Community Forest Ltd. agrees to administer them on behalf of the community.
- Sheraton Holdings Ltd. begins construction of new dowel mill.
- CMSL board meets with village council to discuss consultation report and related issues.

October 2008:

- Board members and staff meet with representatives from the Office of the Wet'suwet'en Hereditary Chiefs to discuss company operations and emerging issues.
- Council and CMSL board proceed to implement recommendations of Comfor Consultation Working Group.
- Lakes Communications Inc. begins construction of Endako transmitting tower as part of its campaign to extend wireless internet services to outlying areas of the Lakes District.

November 2008:

- CMSL's board of directors approves 24 grant-in-aid applications with a combined value of \$56,533.83.
- In an effort to expand high-speed internet service to outlying areas of the Lakes Communications Inc. files seven applications for funding under the provincial *Connecting Citizens* grant program.
- CMSL and BLCF representatives meet with parties to discuss possible construction of a pellet plant in Burns Lake.
- Mayor Bernice Magee steps down as the village's representative on CMSL board. Her replacement is Councillor Lianne Olson.

December 2008:

- BC Hydro rejects all bioenergy project proposals filed by Lakes District proponents. BLCF moves forward with 'Plan B', the marketing of biomass for other uses.
- Burns Lake Community Forest selected as one of a half dozen community forests to be profiled in a documentary film by Asterisk Productions of Victoria.
- Comfor Group employees raise \$1,240 for Lake District Food Bank Coalition.

January 2009:

- Companies in Comfor Group begin to feel the effects of global recession.
- Representatives of Comfor Management Services Ltd. attend *First Nations in Community Forests* conference.
- CMLS representatives attend First Nations Mountain Pine Beetle Initiative meeting.
- Lakes Communications Inc. reports its customer base has increased to 220.
- CMSL board approves Policy 2009-01, which outlines the duty of board members to attend meetings.
- CMSL boards approves Policy 2009-02, which states that whenever possible, Comfor Group companies will not compete against other locally owned businesses.
- Bill Huxham retires as CMSL general manager.

February 2009:

- Alistair Schroff, former manager of Burns Lake Community Forest Ltd., is hired as general manager of Comfor Management Services Ltd. Ben Wilson appointed manager of Burns Lake Community Forest Ltd.
- Norm Martens reappointed to boards of Endako River Timber Ltd. and Sheraton Holdings Ltd.
- Sheraton Holdings Ltd. announces two week shut-down due to economic conditions.
- In keeping with its mandate to support recreation in the community forest, Burns Lake Community Forest Ltd. donates 60 hours of staff time to assist the Lakes Outdoor Recreation Society in maintaining local Ministry of Tourism, Culture and the Arts campsites and trails.
- The 35-kilometre Burns Lake Snowmobile Trail project, one of two Job Opportunity Program initiatives administered by Burns Lake Community Forest Ltd., is completed.
- In response to economic conditions, all companies in the Comfor Group initiate cost-saving measures.
- Comfor board recommends that subsidiary Lakes Communications Inc. be sold.

March 2009:

- Lakes Communications Inc. awarded \$153,000 in grants to extend wireless internet service to outlying communities in the Lakes District.
- CMSL and Community Futures Development Corporation of Nadina join forces to offer a \$100,000 developmental lending program designed promote the establishment of new businesses in the Lakes District.
- CMSL board and senior staff begin investigating possibility of amalgamating some CMSL subsidiaries to streamline corporate operations and reduce costs.
- Lianne Olson elected president of Comfor Management Services Ltd.
- Local businessman Grant Conlon appointed to the board of Comfor Management Services Ltd.
- Sheraton Holdings Ltd. announces indefinitely shutdown due to economic conditions.
- BLCF representatives travel to Victoria to meet with officials of the Pacific Carbon Trust.
- CMSL board revamps its grant-in-aid policies.

- Burns Lake Community Forest Ltd. organizes local non-timber forest products workshop.
- Ben Wilson resigns as general manager of Burns Lake Community Forest Ltd. to pursue other opportunities.

April 2009:

- Val Radley appointed a director of Comfor Management Services Ltd.
- Dawn Stronstad appointed manager of Burns Lake Community Forest Ltd.
- CMSL board pledges to establish a director evaluation process, approves Policy 2009-04 (Review & Approval of Accounts).
- Office of the Information & Privacy Commissioner rules that Comfor Management Services Ltd. and its subsidiaries are “local public bodies” under the *Freedom of Information & Protection of Privacy Act*. Companies in Comfor Group immediately receive multiple requests for information, and move to comply.
- CMSL board approves Policy 2009-03, which establishes improved processes for evaluating investment opportunities.
- Burns Lake Community Forest Ltd. enters into a Memorandum of Understanding with Tahtsa Timber Ltd. on the marketing of biomass from the community forest.

May 2009:

- CMSL board awards 10 grants-in-aid with a combined value of \$20,000.
- CMSL board adopts Policy 2009-05 (Investment Policy), which sets guidelines for managing the corporate group’s investment portfolios.
- Alistair Schroff resigns as general manager of Comfor Management Services Ltd. to pursue other opportunities. His replacement is Henry Wiebe, manager of Sheraton Holdings Ltd.
- Sheraton Holdings Ltd.’s completes construction of dowel mill and resumes operations.
- 4.5 Full-Time Equivalent positions eliminated within Comfor Management Services Ltd. as part of cost-cutting measures.
- Whistle Lake Woodlot Ltd., a CMSL subsidiary, is merged with Burns Lake Community Forest Ltd.
- BLCF staff participate in School District #91’s Project Forest Management.
- Lakes Communications Inc. sold to ABC Communications Ltd. after an extensive select bid process.
- Clean up of former Endako River Timber mill site on Babine Road substantially complete.

Scenes from Sheraton Holdings Ltd.’s sawmill east of Burns Lake.



Comfor Management Services Ltd.: **Your Community-owned Management Company**

When Burns Lake Community Forest Ltd. (BLCF) was established by the Village of Burns Lake in 1998, it was believed the municipally-owned company would enjoy tax-exempt status under the federal *Income Tax Act*. However, subsequent changes in the *Income Tax Act* specified that to qualify for tax exemption, a municipally-owned corporation must earn at least 90 per cent of its revenue within municipal boundaries. Because BLCF earned nearly all its income from a community forest located outside municipal boundaries, BLCF subsequently became a taxable company under Canadian law.



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In an effort to retain a larger proportion of BLCF's revenues for community use, the company's board of directors sought advice from tax experts. Acting on the recommendations of Grant Thornton LLP and other professionals (including the Revelstoke Community Forest), BLCF's board urged village to change the community forest governance model to allow for greater retention of before-tax income.

Comfor Management Services Ltd. was established in 2001 to hold the shares of BLCF on behalf of all Lakes District residents. The new company was also charged with providing Burns Lake Community Forest Ltd. with management and administrative services in exchange for a fee. These fees could be legitimately claimed as an expense by BLCF, and because CMSL earned all of its income within municipal boundaries, they were exempt from taxation.



Today, CMSL provides accounting, administrative, clerical, and other services to its subsidiaries (BLCF, Sheraton Holdings, Endako River Timber Ltd., and 0818725 BC Ltd.), and a number of local non-profit organizations. Located at 153 Francois Lake Drive, the company has four employees.

The Lakes District Fall Fair's Loggers' Sports competition is sponsored by CMSL and Burns Lake Community Forest Ltd.

Comfor Management Services Ltd. Annual Report

Fiscal year 2008-09 (June 1, 2008 to May 31, 2009) was one of challenge and change for the Lakes District's community-owned management company.

The year started with such promise. In June 2008, Comfor Management Services Ltd. (CMSL) joined the Pioneer Family Energy Partnership, Renegy, and others to form Burn Lake Energy Partnership Ltd. for the express purpose of seeking a long-term bio-energy supply contract with BC Hydro. The consortium planned to construct a bio-energy plant in Burns Lake; a tentative site was even selected.

Yet the project was not to be. In December, BC Hydro announced that the Burns Lake Energy Partnership Ltd. was unsuccessful in obtaining a bio-energy purchase agreement. Without a guaranteed long-term market for bioenergy, CMSL and its partners were forced to abandon the idea of constructing Burns Lake's first bioenergy plant.

Within a month, the company (and its subsidiaries) also began to feel the effects of the global economic crisis. Because CMSL derived nearly all

its revenues from management fees charged to its subsidiaries — levies that are based on a percentage of each subsidiary's expenses — reduced economic activity within Burns Lake Community Forest Ltd. and Sheraton Holdings Ltd. meant reduced income for CMSL. When it became apparent that global economy recovery would be delayed, CMSL's management had little choice but implement a program of corporate downsizing. A total of 4.5 full-time-equivalent positions were eliminated within the company by May 31.

While this and other cost-cutting measures helped improve CMSL's long-term sustainability, they came too late to significantly improve its 2008-09 financial performance. By year-end (May 31, 2009), the company had recorded a loss of \$1.5 million — largely due to its decision to write down the investment in Endako River Timber Ltd.

The company had to cope with more than the economic downturn in 2008-09, too. Two senior managers left the company between January 2009 and May 2009. GM Bill

Comfor Management Services Ltd. MISSION STATEMENT

*As a corporation owned by (and accountable to) all residents of the Lakes District, **Comfor Management Services Ltd.** strives to operate transparently and in a manner that will promote long-term corporate and community economic sustainability through:*

- (1) The provision of professional management services to all companies in the Comfor Group, thus ensuring maximum financial return to the corporate group as a whole; and*
- (2) Strategic investments in projects and businesses that will diversify the operations of the Comfor Group of Companies and the local economy, improve the quality of life for all Lakes District residents, and create lasting economic, social, and cultural benefits for the community as a whole.*

VISION STATEMENT

***Comfor Management Services Ltd.** will be a leader in facilitating the development of businesses that will expand and diversify the economy of the Lakes District, provide meaningful employment to local residents, and create lasting benefits to the community as a whole.*

Huxham retired at the end of January, and his replacement (Alistair Schroff) left to pursue other opportunities at the end of May.

Yet somehow, despite all the adversity, the company managed to make a significant contribution to the Lakes District in 2008-2009. In addition to providing direct employment for six individuals, CMSL also donated more than \$76,000 to local community groups.

Clearly, 2008-09 was a difficult year for your community-owned management company. Local residents can only hope that 2009-10 will bring renewed prosperity to CMSL and the local economy as a whole.

Henry Wiebe
General Manager



Abandoned trapper's cabin along the Porcupine Road.



Mule deer in an old cut block.

Burns Lake Community Forest Ltd.: **Your Community-owned Forest Company**

Burns Lake Community Forest Ltd. was incorporated in December 1998 in response to the Ministry of Forests' community forest Request For Proposals. Establishment of the company followed a comprehensive round of public consultations in which local residents clearly indicated that ownership of the requested forest license should belong to everyone living in the Lakes District, and not a single political entity or special interest group.

Local efforts to obtain a conditional community forest license were rewarded in the summer of 2000, when the Ministry of Forests announced that Burns Lake was one of four organizations awarded a community forest pilot agreement. For local residents, it represented the realization of a dream that actually began 25 years earlier.

Burns Lake Community Forest Ltd. **MISSION STATEMENT**

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. (BLCF):

Burns Lake Community Forest Ltd. 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;*
- *Culturally significant economic and educational opportunities for First Nations; and*
- *Revenue (to sustain the corporation and to support the community.*

These goals continue to guide the company's activities and form the backbone of its corporate strategy.

Although most people don't realize it, Burns Lake's quest for a community forest began not in the fall of 1996, but on October 10, 1973 — the date when Burns Lake village council first asked Lands and Forests Minister Bob Williams for a Tree Farm License.

That initial campaign to gain a measure of control over local forest resources ended in disappointment, which made the province's subsequent decision to select Burns Lake as one of four communities to test the new community forest tenure all that more sweet.

Burns Lake Community Forest Ltd.'s initial pilot license was signed July 7, 2000 with a initial Annual Allowable Cut (AAC) of 23,677 cubic meters (m³). The community forest has undergone several expansions since that time, and now consists of 85,541 hec-

tares of Crown land supporting an Annual Allowable Cut of approximately 80,000 cubic meters (m³). Burns Lake Community Forest Ltd. was awarded a 25-year Long Term Community Forest Agreement in April 2005—the first of its kind in the province. In 2005, the AAC of the community forest was increased to 300,000 cubic meters (m³) per year to facilitate beetle salvage.

In the years since 1998, Burns Lake Community Forest Ltd. (through its locally-selected board of directors and dedicated employees) has worked diligently to ensure the community forest meets the public's lofty expectations. While the road to success hasn't always been easy, management and staff and Burns Lake Community Forest Ltd. are proud of the company's achievements over the past decade: hundreds of thousands of man-hours of employment created for local residents, in excess of \$3.1 million donated to community groups and organizations, and the establishment of new outdoor recreation infrastructure throughout the Lakes District.

Despite the depredations of the mountain pine beetle, the community forest remains a significant source of fibre for local sawmills both large and small. Tree species include lodge pole pine, Engelmann white spruce crosses, and subalpine fir, as well as trembling aspen, cottonwood, and birch. Elevation in the community forest ranges from 700 to 1400 meters in the SBSdk, SBSmc2 and ESSFmc ecosystem classifications.

Of course, the community forest is more than a 'fibre basket.' The land base supports a variety of wildlife, including moose, mule and white tail deer, black and grizzly bear, as well as many other fur-bearing animals. Guide-outfitters and trappers rely on the land for their income. Bird species are diverse, and many use the riparian areas, streams, and lakes for habitat.

As mentioned, the community forest also contains lands with significant recreation value. Local residents utilize the community forest for skiing, snowmobiling, mountain biking, All-Terrain Vehicle (ATV) riding, hunting, fishing, boating, and hiking.

Today, Burns Lake Community Forest Ltd. is governed by a board of directors whose five members are selected from the board of Comfor Management Services Ltd. BLCF's current board consists of Herb Neville (President), Gordon McFee (Vice-president), Murray La Brash (Secretary), Thomas Pfister and Grant Conlon. The company also has a three-member advisory board, and its current manager is Dawn Stronstad.

In keeping with the philosophy upon which it was founded, Burns Lake Community Forest Ltd. continues to encourage participation from the local community. Senior staff maintain an "open door" policy and welcome question and comments from the public.

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

Burns Lake Community Forest Ltd. Annual Report

Despite tough economic times faced during the 2008-2009 year, Burns Lake Community Forest continued to meet Mission Statement objectives established in 1999. I assumed the Manager position for this company in April of 2009, and feel privileged to work for my community in this capacity.

Local management of resources

- ◇ Burns Lake Community Forest (BLCF) is managed by a board of directors whose members are chosen from the community as a whole, and makes decisions on a consensus basis
- ◇ Staff continued to carry out management activities of Long Term Community Forest License K1A. Local contractors were employed for some contract works during this period.
- ◇ The company's management strategies are developed through consultation with local resource stakeholders, including First Nations
- ◇ Maintained an "open door" policy. Locals are encouraged to take an active interest in their community forest. BLCF continues to meet with stakeholders on a regular basis.



Local processing

- ◇ Harvested approximately 224,000 cubic meters of timber during this fiscal year. The majority of this volume was delivered to local mills, including CMSL-owned Sheraton Custom Milling.

Local employment

- ◇ Thousands of man-hours of employment were generated for local residents
- ◇ Hired only local contractors during this period

Forestry training & education

- ◇ Participated for the 9th consecutive year in the Project Forest Management program
- ◇ Continued to partner with Royal Roads University in hosting non-timber forest products workshops

Outdoor recreation activities

- ◇ Sponsored the Lakes Outdoor Recreation Society in its mandate of maintaining

- 30 local recreation sites and 9 recreation trails
- ◇ Provided support to the Burns Lake Mountain Biking Association through machine in-kind donations
- ◇ Constructed a .4 km walking track adjacent to the Wet'suwet'en First Nation band office
- ◇ Provided supervisory and administrative assistance to the Burns Lake Snowmobile Club in the construction of ~35 kilometers of snowmobile trail



A lasting relationship with the land that comprises the Community Forest

- ◇ Continued to employ sustainable forest practices
- ◇ Planted 2.4 million seedlings (1 million summer 2008, 1.4 million spring 2009), with 50% pine (grown from our locally picked seed) and 50% genetically improved spruce
- ◇ Completed a Vegetation Resource Inventory and Terrestrial Ecosystem Mapping for the K1A license area, which will facilitate an updated timber supply analysis



Culturally significant economic and educational opportunities for First Nations

- ◇ Assisted First Nations with the management of their forest operations
- ◇ Employed First Nations on the forestry crew



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

- ◇ This was the first year since 2001 that BLCF recorded a loss
- ◇ Maintained adequate silviculture reserves to cover silviculture obligations
- ◇ Continued to support the community as much as possible through in-kind and other donations
- ◇ Remitted \$263,000 in stumpage to the Crown.

FUTURE PLANS AND PRIORITIES

These are documented in our Strategic and Operating Plan for 2009/2010.

Dawn Stronstad
Manager

Whistle Lake Woodlot Ltd. Annual Report

A Woodlot License Plan was approved for Woodlot 1527.

Salvage blocks laid out in winter 2007 are still available for harvest later this year or in future years.

BLCF staff sought direction from the Ministry of Forests and Range to have the area previously occupied by the Whistle Lake Woodlot added to Long Term Community Forest License K1A. This amalgamation is sought for operational flexibility and efficiency.



BLCF Manager Dawn Stronstad conducts a survey in the field.

Lakes Communications Inc. Annual Report

Incorporated in March 2005, Lakes Communications Inc. (Lakescom) brought together two small existing internet businesses, Calmco Communications Inc. (a small local wireless internet service provider) and New Generation Internet Services (a company providing dial-up internet to Lakes District residents). The company provided direct employment to four individuals in 2008-09.



In October 2008, the company began construction of its new Endako tower; a month later — in an effort to further expand its operations and increase its customer base — the company applied for seven grants under the provincial *Connecting Citizens* grant program. Four of these applications, valued at more than \$153,000, were eventually approved.

Despite increasing its customer base and expanding service to Endako, the company's performance remained lackluster throughout 2008-09. In February, the board of directors for Comfor Management Services Ltd. recommended that Lakes Communications Inc. be sold.

On June 1, the board of directors for Comfor Management Services Ltd. announced the sale of Lakes Communications Inc. to ABC Communications. Sale of the company followed an extensive selective bid process.

At the time of its sale, Lakescom provided high-speed wireless internet service to more than 200 residential and business customers in the Lakes District utilizing a network of six transmission towers and a handful of additional access points.

Sheraton Holdings Ltd./Endako River Timber Ltd. Annual Report

Sheraton Holdings Ltd. completed its first full year under new ownership in 2008-09. With former owner Henry Wiebe remaining as manager, the company posted net (before tax) income of nearly \$100,000 in the first five months of the 2008-2009 fiscal year. However, the global financial crisis began making itself felt shortly thereafter, and the subsequent crash of BC's forest industry resulted in Sheraton recording a net loss of \$60,713 as of May 31, 2009.

While the Sheraton's financial performance was disappointing in 2008-2009, the company did make progress on a number of other fronts. The installation of a new hogging system allowed Sheraton to turn what had previously been waste (sawdust) into a saleable product. Furthermore, the addition of a new, efficient dowel mill also enabled the company to add yet another item to its product line — thus creating a new and potentially lucrative revenue stream.

While economic conditions forced the company to cease operations for several months in the spring of 2009, it did provide employment for nearly two dozen local residents during the year. It also purchased more than \$1 million in goods and services during the period in question, most of them from local vendors. Its assets had a gross value (prior to depreciation) of more than \$1.3 million of May 31, 2009.

Although there has been little change in market conditions since May 31, 2009, there are signs that the demand for forest products may rebound in 2010. Some of Sheraton's traditional markets are showing signs of recovery, and the company continues to look for new opportunities.

Endako River Timber Ltd. ceased operations in 2007, but it wasn't until 2008-09 that resources became available to begin clean-up of the company's former mill site along Babine Road.

Most equipment belonging to the defunct sawmill was removed and sold in the fall of 2008. The advent of winter put further clean-up efforts on hold, but clean-up work resumed in May 2009. By the end of the fiscal year, much of the clean-up work had been completed. Final contouring and seeding of the Babine Road property was finished in the summer of 2009.

Although the majority of Endako's assets have now been sold, the company expects to send any remaining surplus equipment to auction in the spring of 2010. Once final clean-up and asset disposition are complete, the company will likely be wound up.

Mission Statement

Sheraton Holdings Ltd. strives to produce lasting financial benefits for its employees, the Comfor Group, and the community as a whole by supplying profitable niche markets with specialty products created in a safe, environmentally-responsible manner from local forest resources.

Vision Statement

Sheraton Holdings Ltd. will provide sound, safe employment opportunities in milling products from our forest, developing niche markets, and utilizing fiber with environmentally sound practices.



Burns Lake Community Forest Ltd.

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MISSION STATEMENT

Burns Lake Community Forest Ltd. (BLCF) 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.

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.

Comfor Management Services Corporate Data (as of December 1, 2009)

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Staff: **Comfor Management Services Ltd.**
Henry Wiebe, General Manager
Michael Riis-Christianson, Executive Assistant
Vera Nichols, Payroll/Accounting Administrator
Jean Marr, Financial Administrator

Burns Lake Community Forest Ltd.
Dawn Stronstad, Manager
Ross Hyam, Operations Forester
Ron Harrison, Lead Scaler
Jeff Ragsdale, GIS Analyst
Kerry Martin, Harvesting Supervisor
Rick Martin, Road Construction Supervisor
Fred Saul, Equipment Operator
Reg Ogen, Forestry Crew Supervisor
Andy Tom Jr., Forestry Crewperson
Steven Tuttle, Forestry Crewperson
Kevin Werrell, Forestry Crewperson

Milling Operations (Sheraton Holdings Ltd./Endako River Timber Ltd.)
Henry Wiebe, Manager
Karl Garrett, Maintenance Superintendent

Auditors: McAlpine & Company (Terrace)

Bank: Royal Bank of Canada, Burns Lake Branch
Bulkley Valley Credit Union, Burns Lake Branch

Board of Directors: Lianne Olson (President)
Herb Neville (Vice-president)
Gordon McFee (Secretary)

(Directors)

Jeff Brown	Murray La Brash
Thomas Pfister	Wes Sam
Grant Conlon	Val Radley

Advisory Committee: Tan Calhoun, RPF Cliff Manning
Rosanne Murray Steve Reid (Sr.)

COMFOR MANAGEMENT SERVICES LTD.
Consolidated Financial Statements
As at May 31, 2009

McAlpine
& Co. ^{CA}
CHARTERED ACCOUNTANTS

McAlpine
& Co. 

CHARTERED ACCOUNTANTS

201 - 4630 LAZELLE AVENUE, TERRACE, B.C. V8G 1S6
Telephone: (250) 635-4926
Toll Free: 1-888-311-3358
Fax No.: (250) 635-4975

Jim Riding, C.A.
Curtis Billey, B.Comm, C.A
Rory Reinbolt, C.A.
Michael Johnson, C.A.
(A partnership of incorporated professionals)

Web page: <http://www.mcalpine-ca.net>
E-mail: info@mcalpine-ca.net

AUDITORS' REPORT

To the Directors of Comfor Management Services Ltd.

We have audited the consolidated balance sheet of Comfor Management Services Ltd. as at May 31, 2009 and the consolidated statements of loss, retained earnings and cash flow for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at May 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, British Columbia
July 16, 2009



CHARTERED ACCOUNTANTS

COMFOR MANAGEMENT SERVICES LTD.
Consolidated Balance Sheet
As at May 31, 2009

	2009	2008
Assets		
Current		
Cash	\$ 2,349,404	\$ 2,881,238
Accounts receivable	439,113	249,353
Inventory (Note 3)	235,511	437,291
Income taxes recoverable	826,251	1,467,840
Prepaid expenses and deposits	77,174	141,817
Deferred costs (Note 4)	610,309	
	4,537,762	5,177,539
Long term investments - restricted (Note 5)	3,828,170	4,044,498
Property, plant and equipment (Note 6)	2,760,549	4,745,387
Investment in Pioneer Family Timber (Note 7)		60,010
Future income taxes (Note 2)	1,437,522	1,483,555
	\$ 12,564,003	\$ 15,510,989
Liabilities		
Current		
Accounts payable and accrued expenses	\$ 518,463	\$ 668,858
Current portion of long term debt (Note 8)	10,124	10,124
	528,587	678,982
Accrued reforestation costs (Note 2)	4,568,452	4,819,811
Long term debt (Note 8)	19,405	29,529
Advances from shareholder (Note 9)	1	1
Non-controlling interest (Note 10)	599,999	759,999
	5,716,444	6,288,322
Shareholder's equity		
Share capital (Note 11)	1	1
Retained earnings	6,200,108	8,575,216
Reserves (Note 12)	647,450	647,450
	6,847,559	9,222,667
	\$ 12,564,003	\$ 15,510,989

ON BEHALF OF THE BOARD

 Director

 Director

See notes to financial statements

COMFOR MANAGEMENT SERVICES LTD.
Consolidated Statement of Loss
Year Ended May 31, 2009

	2009	2008
Revenue	\$ 9,372,704	\$ 22,203,032
Direct and indirect costs		
Harvesting and processing costs	7,791,928	15,201,411
Silviculture	806,441	1,665,614
Amortization	881,415	1,223,768
	9,479,784	18,090,793
	(107,080)	4,112,239
Administrative expenses		
Administrative expenses	593,707	943,697
Amortization	170,484	245,251
Directors fees	67,284	107,790
Donations and gifts	104,137	378,867
Insurance and licences	86,639	64,170
Interest and bank charges	19,646	31,936
Meals and entertainment	9,985	5,377
Professional fees	255,701	178,834
Project expenses	129,451	119,570
	1,437,034	2,075,512
Income (loss) from operations	(1,544,114)	2,036,727
Other income (expenses)		
Investment income (loss)	(164,568)	156,587
Writedown of investments	(88,851)	
Gain on debt forgiveness	121,355	
Gain on debt elimination on consolidation		92,515
Gain (loss) on disposal of capital assets	(1,124,814)	98,857
	(1,256,878)	347,959
Income (loss) before income taxes	(2,800,992)	2,384,686
Income taxes (recovered)		
Current (recovered)	(471,917)	888,797
Future	46,033	(140,000)
	(425,884)	748,797
Net income (loss) for the year	\$ (2,375,108)	\$ 1,635,889

See notes to financial statements

COMFOR MANAGEMENT SERVICES LTD.
Consolidated Statement of Retained Earnings
Year Ended May 31, 2009

	2009	2008
Retained earnings - beginning of year	\$ 8,575,216	\$ 7,586,777
Net income (loss) for the year	(2,375,108)	1,635,889
Transfer to reserves (Note 12)		(647,450)
Retained earnings - end of year	\$ 6,200,108	\$ 8,575,216

See notes to financial statements

COMFOR MANAGEMENT SERVICES LTD.
Consolidated Statement of Cash Flow
Year Ended May 31, 2009

	2009	2008
Operating activities		
Net income (loss) for the year	\$ (2,375,108)	\$ 1,635,889
Items not affecting cash:		
Amortization of property, plant and equipment	1,051,899	1,426,713
Loss (gain) on disposal of assets	1,124,814	(98,857)
Gain on debt forgiveness	(1,446,726)	
Writedown of investments	1,412,825	
Loss on disposal of investments	1,397	18,152
Unrealized decrease in value of investments	340,406	101,671
Gain on debt elimination on consolidation		(92,515)
Future income taxes	46,033	(140,000)
	155,540	2,851,053
Change in non-cash working capital:		
Change in net current assets (liabilities)	(94,177)	(1,466,576)
Cash flow from operating activities	61,363	1,384,477
Investing activities		
Purchase of equipment	(434,032)	(870,165)
Proceeds on disposal of equipment	326,800	330,036
Purchases of investments - restricted	(524,705)	(1,496,669)
Proceeds on sale of investments - restricted	400,212	1,336,142
Investment in Pioneer Family Timber	60,010	(60,010)
Acquisition of net assets of Sheraton Holdings Ltd		(1,588,980)
Accrued reforestation costs	(251,359)	952,444
Cash flow used by investing activities	(423,074)	(1,397,202)
Financing activities		
Preferred shares at redemption value		800,000
Payment on redemption of preferred shares	(160,000)	(40,001)
Repayment of long term debt	(10,124)	(169,314)
Advances from shareholder		(193,581)
Cash flow from (used by) financing activities	(170,124)	397,104
Increase (decrease) in cash	(531,835)	384,379
Cash - beginning of year	2,881,238	2,496,859
Cash - end of year	\$ 2,349,403	\$ 2,881,238
Cash flow supplementary information		
Interest paid	\$ 19,647	\$ 31,938
Income taxes paid (recovered)	\$ (1,113,506)	\$ 2,589,422

See notes to financial statements

COMFOR MANAGEMENT SERVICES LTD.
Notes to Consolidated Financial Statements
Year Ended May 31, 2009

1. Description of business

The company and its subsidiaries operate community forest license K1A under a Community Forest Agreement with the Province of British Columbia under the province's Community Forest Program and they operate a dimensional wood manufacturing facility.

2. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries.

Comfor Management Services Ltd.
 Burns Lake Community Forest Ltd.
 Endako River Timber Ltd
 Whistle Lake Woodlot Ltd.
 Sheraton Holdings Ltd
 0818725 BC Ltd.

Inter company balances and transactions have been eliminated.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings	5 and 10 years	straight-line method
Log yard	4% & 8%	straight-line method
Logging roads	5 years	straight-line method
Bridges	5 years	straight-line method
Processing and manufacturing equipment	15% & 30%	straight-line method
Movable equipment	5 years, 10%, 15% & 30%	straight-line method
Automotive	5 years	straight-line method
Tools and small equipment	5 years	straight-line method
Computer equipment, software, and office equipment	3 & 5 years	straight-line method
Data network infrastructure	5 years	straight-line method

Long term investments - reserves

Investments are carried at fair market value.

Accrued reforestation

The company accrues the undiscounted estimated cost of reforestation required under its timber forest license at the time the timber is harvested. Reforestation costs are funded by long term investments - restricted assets in note 5.

(continues)

COMFOR MANAGEMENT SERVICES LTD.
Notes to Consolidated Financial Statements
Year Ended May 31, 2009

2. Summary of significant accounting policies (continued)

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Sales revenue recognition

The company recognizes revenue when the significant risks and rewards of ownership of its product are transferred to the customer, which is generally at the time of shipment to the customer or delivery of logs to the customer.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment and estimating accrued reforestation expenses. Actual results could differ from these estimates.

3. Inventory

	2009	2008
Lumber	\$ 152,121	\$ 117,899
Logs	81,882	316,436
Other	1,508	2,956
	\$ 235,511	\$ 437,291

4. Deferred costs

Deferred costs are planning, mapping, layout, and related costs incurred on third party properties and are recorded at cost.

5. Long term investments - restricted

These assets are restricted for the purpose of funding future reforestation costs.

Phillips Hager North - mutual funds	\$ 1,994,324	\$ 2,040,253
Royal Bank Investment Account - mutual funds	1,833,846	2,004,245
	\$ 3,828,170	\$ 4,044,498

COMFOR MANAGEMENT SERVICES LTD.
Notes to Consolidated Financial Statements
Year Ended May 31, 2009

6. Property, plant and equipment

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	\$ 681,417	\$	\$ 681,417	\$ 753,666
Buildings	599,092	178,048	421,044	447,316
Roads, bridges, and log yard	938,688	917,714	20,974	153,383
Logging - movable equipment, automotive, and small equipment	1,844,818	1,407,606	437,212	734,947
Sawmill - processing and manufacturing equipment, movable equipment, automotive, and small equipment	1,334,271	181,357	1,152,914	2,262,452
Computer equipment, software, and office equipment	193,574	178,257	15,317	29,011
Data network infrastructure (LCI assets)				364,612
Surplus capital assets	31,671		31,671	
	\$ 5,623,531	\$ 2,862,982	\$ 2,760,549	\$ 4,745,387

7. Investment in Pioneer Family Timber

	2009	2008
Option to purchase land expiring December 31, 2009	\$	\$ 10,000
Advances - non-interest bearing, no specific terms of repayment, and is unsecured		50,010
	\$	\$ 60,010

8. Long term debt

	2009	2008
GMAC loan bearing interest at 0% per annum, repayable in monthly blended payments of \$844. The loan secured by specific equipment.	\$ 29,529	\$ 39,653
Amounts payable within one year	(10,124)	(10,124)
	\$ 19,405	\$ 29,529

The company also has available an operating line of credit with a limit of \$650,000 bearing interest at bank prime and is secured by specific cash deposits. At balance sheet date, the facility is not used.

COMFOR MANAGEMENT SERVICES LTD.
Notes to Consolidated Financial Statements
Year Ended May 31, 2009

9. Advances from shareholder

The advances from the shareholder, The Corporation of the Village of Burns Lake, are unsecured, non-interest bearing and have no set repayment terms.

10. Non-controlling interest

Non-controlling interest comprises a subsidiary company's preferred shares owned by a third party - the Wiebe Family Trust. At May 31, 2009, 4615.5 shares remain owned by the Trust at a redemption price of \$129,99657 per share which comprise the balance of \$599,999. The company has an agreement to acquire all of these shares.

11. Share capital

Authorized:

1000	Class A common non-participating voting shares
10,000	Class B common participating voting shares
10,000	Class C common participating non-voting shares
100,000	Class D common participating non-voting shares
100,000	Class E preferred non-cumulative non-voting shares
100,000	Class F preferred non-cumulative non-voting shares
100,000	Class G preferred non-cumulative non-voting shares
100,000	Class H preferred non-cumulative non-voting shares
100,000	Class I preferred non-cumulative non-voting shares
100,000	Class J preferred non-cumulative non-voting shares

	2009	2008
Issued:		
1 Class B common share	\$ 1	\$ 1

12. Reserves

Under a policy adopted by the company's Board of Directors, they may allocate up to 30% of the group's pre-tax consolidated earnings to a reserve which is recorded as an appropriation from retained earnings. The reserve is unfunded and is meant for expenditures on the following five priorities:

- (a) Local management and economic diversification - 60% of allocation
- (b) Local employment and processing of resources - 20% of allocation
- (c) Recreation, forestry training and education - 10% of allocation
- (d) Other community support - 6% of allocation
- (e) Promotional advertising and activities - 4% of allocation

	2009	2008
Reserve - balance beginning of year	\$ 647,450	\$
Transfer from retained earnings - allocation approved for the year		647,450
Reserve - balance end of year	\$ 647,450	\$ 647,450