

ANNUAL REPORT

2005



Burns Lake

Community Forest Ltd.

153 FRANCOIS LAKE DRIVE P.O. BOX 788, BURNS LAKE, BC V0J 1E0
TEL: (250) 692-7724 FAX: (250) 692-7767 E-MAIL: blcomfor@ngis.ca

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ON THE COVER

View from Star Lake Trail.

Dawn Stronstad Photo



The Corporation of
The Village of Burns Lake

Gateway to Tweedsmuir Park

Box 570, Burns Lake, B.C. V0J 1E0

Phone: (250) 692-7587

Fax: (250) 692-3059

E-Mail: village@burnslake.org

OFFICE OF THE
MAYOR

May 1, 2006

To All Residents of the Lakes District:

BURNS LAKE COMMUNITY FOREST LTD. 2005 ANNUAL REPORT

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

The company had another successful year in financial terms, recording a profit of approximately \$700-800,000 on gross revenues of approximately \$17 million. It also continued to provide meaningful employment to local residents and made significant financial contributions to local non-profit organizations.

Burns Lake Community Forest Ltd. met with success during 2005 in the areas of local management of resources, local employment, providing economic opportunities for First Nations, involvement in forestry training and education, support of outdoor recreation opportunities, and creating revenue to sustain and support the community.

The awarding of long-term tenure to BL ComFor in 2004 provided the community forest what it had lacked in the first five years of operation - secure tenure. With secure tenure, the community forest charted new territory with the purchase of majority share in a milling facility. This facility provides an avenue for the community forest to purchase local wood, as well as provide increased employment opportunities. This initiative, and others, prove Burns Lake Community Forest is continuing to be a 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 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 fluid and cursive, written on a white background.

Bernice Magee
Mayor

Foreword

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.

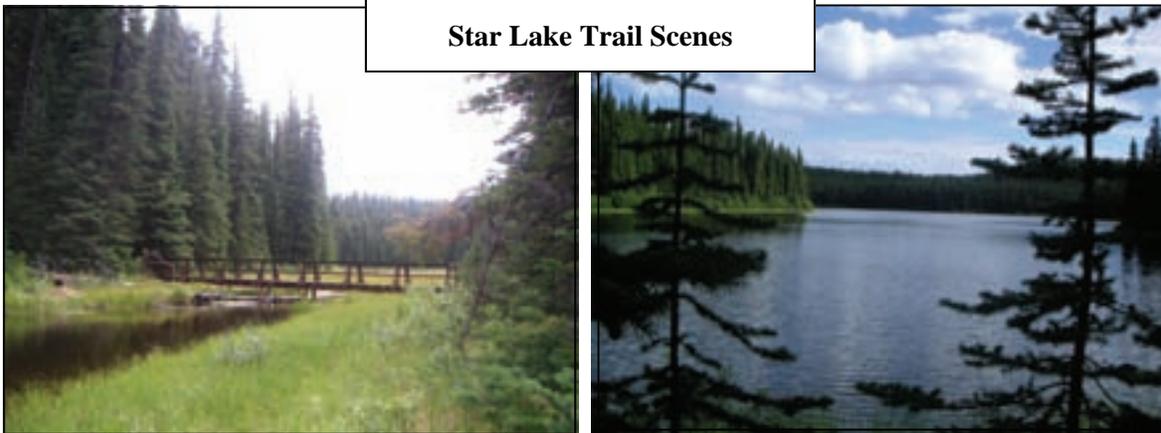
Outdoor recreational pursuits by local residents include skiing, snowmobiling, mountain biking, All-Terrain Vehicle (ATV) use, hunting, fishing, and hiking.

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

Star Lake Trail Scenes



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.”

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

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

Local Management of Resources:

BL ComFor is committed to local management of the resources contained within the community forest.

In 2005, BL ComFor managed the forest resources on approximately 42,900 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. Planning at the landscape level takes into consideration all resource users.

The company harvested approximately 286,098 cubic metres (m³) of timber in 2005. Harvesting has been concentrated on mountain pine beetle infested stands. 84% of harvest volume was pine, even though 60% of the community forest landbase is comprised of pure pine types. Unfortunately, even immature pine as young as 20 years are not being spared attack by mountain pine beetle. The uplift in harvest in the short-term ensures the company (and hence the community) gains maximum value from the timber resource before it deteriorates. Harvested forest lands are quickly regenerated (most within one year of harvest) and thus back into production as quickly as possible.



Local Processing of Resources:

In keeping with the Mission Statement & Emerging Strategy, the majority of BL ComFor's 2005 harvest was sold to local milling companies. This helped maintain existing levels of employment in local processing facilities.

Local Employment:

In 2005, Burns Lake Community Forest Ltd. created approximately 160,000 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 \$14 million worth of goods and services in the community. Of this amount, approximately \$12 million dollars was spent on local harvesting activities, including contract logging and road construction. An estimated 112 jobs in the community are directly linked to the community forest operations.

Forestry Training & Education:

BL ComFor's 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 was a major sponsor in the purchase of simulators for the local college to train locals in the operation of logging equipment. 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:

The company financed the creation of a new hiking trail in 2005 by providing funding to the Lakes Outdoor Recreation Society. This new trail connected the existing Rod Reid Trail with the Kager Lake Trail system. There has been very positive feedback regarding the creation of this link. This trail system was utilized by a local running club to host an *Ironman* style race—another activity that has potential to promote and diversify the local economy. In total, BL ComFor or its affiliates have constructed approximately 21 km of new trails in and around Burns Lake during the past six 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.



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

Burns Lake Community Forest Ltd. became the first organization to BC to secure long-term Community Forest Tenure in 2004. The terms of this license provides local residents, through BL ComFor, an opportunity to manage the forests in their own "backyard" for a minimum of 25 years. With a continued solid record for good forest management, 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. First Nations' were awarded both cone picking and pole marking contracts in 2005. Our associated milling company has also provided jobs for local First Nations members.



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

2005 was a very good year for BL ComFor. The company recorded an approximate profit of \$700-800,000 on gross revenues of approximately \$17 million. The company also contributed a significant amount of its revenue to the community. In 2005, BL ComFor donated \$2,265,510.21 to local non-profit organizations for a variety of community benefits.

I continue to believe that the key to our company's long-term survival lies in diversification. Forestry-related activities will quite likely 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.

2005 has seen dramatic effects from the mountain pine beetle epidemic. Many trees are grey, red or beginning to yellow from recent attack. Planning is required now to find ways of generating revenue for affected communities. Change is coming, both for our company and the community. To survive, we must both adapt. Burns Lake Community Forest has become involved in other ventures unrelated to the forest industry in 2005. Purchase of a wireless internet provider and sawmill are two examples of the diversification necessary. Ensuring availability of wire-



less internet service also provides a much-needed service for businesses in our community.

I also continue to believe that BL ComFor can be a vehicle for promoting economic diversification in the Lakes District. The staff and board of directors are continually looking for new opportunities - places where we can look “outside the box” - to ensure the long-lasting benefit of a community forest tenure in this community.

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 once again went “above and beyond” to ensure the company’s success.

I would also like to express appreciation to local residents and former members of BL ComFor’s board. If not for the efforts of people dedicated people such as these, Burns Lake Community Forest Ltd. would not be what it is today: a leader in the field of community forestry.

2005 was a great year for our community and your community-owned forest company. The board of directors and staff are looking ahead with enthusiasm for the challenges that lie ahead.

Respectfully,
Michael Riis-Christianson
President



General Manager's Report 2005

The main front of the Lakes Timber Supply Area mountain pine beetle epidemic rolled across the Burns Lake Community Forest in 2005. All of our pine stands suffered significant infestation, and you will start to see more of the effects in 2006 as vast areas around the community turn red!

As a result of the widespread infestation we have increased our harvest levels. This will help us recover more value for the community before the wood starts to deteriorate. The planning, development, harvesting, silviculture and administration required hard work from our staff and contractors and cooperation from the community, local mills and government agencies. There is always room for improvement, but I think there were many good examples of "making it work" in 2005.

All our activities are interesting, but there are a few notable items from 2005.

1. We now have a scaling and log yard operation. At present this operation primarily serves Endako River Timber Ltd, but may provide other opportunities in the future (such as log sorts and sales).
2. We initiated an inventory of the vegetation resources (including timber) and ecosystems on our license area. Together, these inventories will help us with many aspects of management – especially planning. They may also provide the basis for future businesses such as non-timber forest products (berries, medicinal plants etc.). This inventory will be completed in March 2007.
3. Further expansion of our license was committed. Area will be added to the license for an allowable cut increase of about 33 000 m³/year once completed. We thank the Burns Lake Band and Wet'suwet'en First Nation for their support in the expansion applications.



Staff changes at Burns Lake Community Forest Ltd in 2005 included the addition of Ron Harrison, Sherille Brewer and Dave Dyck to our log yard team, Rick Martin and Joe Fehr to our road development team, and Vera Nichols to the accounting team. I was appointed as General Manager and Ken Guenter will continue as General Manager of Comfor Management Services Ltd, our parent company. I thank Ken for leaving me with a solid foundation from the first five years of operations, and the Board and staff for their effort in making sure we continue to build on past successes.

You as a community should be very proud that YOUR community forest is held up as an example of what can be achieved if everybody works together.

Your questions are always welcome. Feel free to approach staff or the Board members at any time if you require further information.

Alistair Schroff
General Manager

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

(For the Period Ending Dec. 31, 2005)

Burns Lake Community Forest regrets that the audited Financial Statements for 2005 are not available at this time. Feel free to contact Ken Guenter at (250) 692-7724 local 221, or email ken.guenter@blcomfor.com to arrange for a copy to be sent to you as soon as it becomes available.

REVENUE:

Harvesting
Contract
Reimbursed Expenses
Misc income
Rental income

EXPENSES:

Sub-contract
Administration
Depreciation
Stumpage and Royalties
Donations to community \$2,265,510.21

GROSS MARGIN

Other income
Income Tax
Net Income (Profit)



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.

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 **(as of December 31, 2005)**

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: Alistair Schroff, General Manager (Burns Lake Community Forest)
Ken Guenter, General Manager (Comfor Management Services Ltd.)
Dawn Stronstad, Operations Forester
Ron Harrison, Lead Scaler
Sherille Brewer, Scaling Assistant
Dave Dyck, Scaling Site Loaderman
Joe Fehr, Millwright/Mechanic/Truck Driver
Kerry Martin, Harvesting Supervisor (Contract)
Rick Martin, Road Construction Supervisor
Margaret Westerman, Accounting Manager
Vera Nichols, Accounting Assistant

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 Bill Chapman
Paul-Henri Jean Bernice Magee
Herb Neville Steve Reid, Sr.

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