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ON THE COVER

Main Photo: Boer Mountain from Block 94 in the community forest.

Insets:

Upper Right: E-team members on new trail near Kager Lake.

Lower Right: Skidder on Block 116 of the community forest.

Lower Left: Horse logger Alfred Horning at work in the community forest.



The Corporation of the Village of

BURNS LAKE

OFFICE OF THE MAYOR

P.O. Box 570, Burns Lake, BC V0J 1E0 Tel: (250) 692-7587

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March 21, 2002

To All Residents of the Lakes District:

RE: BURNS LAKE COMFOR – 2001 ANNUAL REPORT

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

Although the company hoped to dramatically improve on its 2000 performance, economic factors limited BL ComFor's growth during the past year. This isn't to say the company failed to achieve some of its objectives. Indeed, despite challenges imposed by local markets and provincial policies, the company managed to purchase more goods and services, provide more man-hours of employment, and generate increased revenue for the Crown in 2001.



I am also impressed by the fact that BL ComFor continues to promote local employment and the employment of young people. Last year, the company hired five local students to cut trails in the community forest, and hopes to do the same or better in 2002.

Much of the credit for the company's success goes to its general manager, Mr. Ken Guenter. Ken has worked tirelessly for the corporation since being hired in 1999, and continue to be its biggest asset. His business acumen, vision, and commitment to community forestry have made him invaluable.

As this annual report attests, your community-owned forest corporation continues to be an asset to our area. It is my sincere hope that the year ahead will bring a resolution to many of the problems facing BC's forest industry, and result in a stronger local market for BL ComFor's primary product, raw logs.

Sincerely,

Paul H. Jean
Mayor

- Forward -

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 an initial Annual Allowable Cut (AAC) of 23677 cubic metres (m³). The community forest begins in the east on the south side of Burns Lake near Priestly, and extends west to the Gerow Creek drainage on the south side of Decker Lake. A portion lies north of Burns Lake in the Boer Mountain- Star Lakes area.

A recent attack by spruce bark beetle will challenge the corporation to meet its financial obligations and at the same time meet the commitments of the proposal and management plan.

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 1200 meters in the SBS dk and mc2 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 eight-member board of directors, and includes representation from the Burns Lake Band (one director), the



BL ComFor board member Andrew George Jr. (centre) signs the company's pilot project agreement while then-MLA Bill Goodacre (left), ComFor President Cliff Manning (second from left) and District Forest Manager Bob Murray look on. The company signed its five-year agreement in July 2000.

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 forestry consultants. 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 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

The year 2001 was a busy one for your community forest corporation and its board of directors.

Despite getting a late start on its 2000-2001 winter logging operations – due primarily to the Ministry of Forests' delay in setting stumpage rates – the company still managed to make a significant contribution to the Lakes District's economy. In January and February 2001, for example, the Burns Lake Community Forest Ltd. spent **\$1.05 million** on services in the Lakes District and paid **\$220,000** in stumpage to the province. Operations in the community forest generated **14,268 man-hours** of employment for a total of **70** individuals during this period.

The company's strong performance in the first two months of 2001 generated considerable excitement among directors. Unfortunately, ink on the company's first-quarter statements barely had time to dry before conditions began to change. Expiration of the Canada/US Softwood Lumber Agreement and the implementation of countervailing duties by the Americans – combined with a general softening of world lumber markets – sent log prices spiraling downward. The provincial government's failure to adequately address issues relating to the beetle epidemic, or correct flaws inherent in the stumpage and appraisal system, did nothing to alleviate the crisis; by late summer, an air of general concern had replaced the board's earlier optimism.

Arrival of the winter logging season did nothing to alleviate the board's worries. Despite the province's promises to the contrary, stumpage rates re-

mained unrealistically high. Faced with prohibitive logging costs and a shortage of markets, BL ComFor appeared poised on the brink of crisis; simple survival became the company's goal, placing even its modest forest health activities in jeopardy.

The calendar year closed on a bleak note, with the corporation laying off two of its four employees.

Fortunately, a measure of relief in the form of reduced stumpage rates arrived in January. After extensive analysis, the company determined that by modifying tendering policies and continuing to operate



with a skeleton crew, it could aggressively attack beetle infestations in community forest without jeopardizing its long-term survival. As a result, contractors operating on BL ComFor's behalf managed to harvest approximately 60,000 cubic metres of timber prior to break-up.

Clearly, 2001 was a year of contrasts for your community-

owned forest corporation. I can honestly say, too, that serving on the company's board was a lot like riding a roller coaster. As board members, we took our seats with a mixture of fear and excitement, hung on through a seemingly endless series of emotional highs and lows interspersed with unexpected twists, then disembarked at the end feeling elated but also a little spent.

Although there's little doubt the year just passed was a difficult one, I'd been wrong to leave you with the impression that Burns Lake Community Forest Ltd.'s greatest achievement in 2001 was its own survival. Indeed, despite poor markets and a host of other difficulties, the corporation still managed to improve on its 2000 performance.

As the attached financial statements note, the company posted a small profit in 2001. Along the way, it managed to provide **31,439** man-hours of employment to **58** local businesses representing approximately **150** individuals, purchase approximately **\$2.3 million** of goods and services in the community, and pay approximately **\$266,000** in stumpage to the Crown.

We also managed to undertake a number of training programs. In addition to partnering with the College of New Caledonia on several of these initiatives, we hosted Lakes District Secondary School's Project Forest Management, an school-based program providing high school students practical experience in forest management.

(Continued on page 6)

“2001 was a year of contrasts for your community-owned forest corporation.”

President's Report (con't)

(Continued from page 5)

With assistance of the province and its Environmental Youth Team project, we also employed five students constructing trails within the community forest. Despite the financial constraints already noted, BL ComFor contributed \$25,000 to the project, which (in addition to clearing such popular trails as Guyishton, Bear Dens, and the Opal Beds) created 10 km of *new* trails in the Kager Lake area.

Another major accomplishment for our company was purchase of the office building formerly known as the Ager Medical Clinic. Located at 153 Francois Lake Drive, the building now serves as BL ComFor's permanent 'home' and provides low-cost office space to several other agencies and small businesses.

It is customary in reports of this nature to make predictions regarding the company's performance in the coming year. I find this difficult to do, given the uncertain nature of BC's forest industry as a whole.

It's no secret that our country's ongoing softwood lumber dispute with the United States has made Canadian lumber more expensive south of the border, thus reducing lumber sales by BC forest companies. This, in turn, has resulted in fewer log purchases by companies in this area, and made life exceedingly difficult for firms such as BL ComFor that rely almost exclusively on log sales for income.

Problems in the log market are further exacerbated by the current mountain pine beetle epidemic, which has forced the province to double this district's Annual Allowable Cut in an effort to combat the infestation. Accelerated harvesting

has flooded the log market with timber and pushed the price being paid for logs to near record lows. As a result, your community forest company now finds itself trying to operate at a time when both the demand for and the price of its primary product are severely depressed.

Adding to these difficulties is the uncertainty surrounding the province's proposed forest policy changes. As most residents are aware, the BC government intends to overhaul provincial forest policy; while some of the proposed changes may prove beneficial to our company, the impact of others remains unknown.

There is little doubt that BC's forest industry – in-

cluding BL ComFor – faces significant challenges in the year ahead. Yet despite all the problems, it is important that we not lose sight of our community and corporate goals.

For this reason, although I am not prepared to make predictions about ComFor's financial performance in 2002, I will reiterate the company's long-term commitment to community and the principles outlined in its Mission Statement and Emerging Strategy, namely:

- Local management of resources;
- Local employment;
- Forestry training & education;
- Outdoor recreational activities;
- Local processing;
- A lasting relationship with the land that comprises the community forest;
- Culturally significant economic & educational opportunities for First Nations; and
- Revenue to sustain the corporation and to support the community.

During the coming year, economic conditions may force the board of directors to place less emphasis on one or more of the above-noted goals in order to

achieve the last one. As a board, we have come to the conclusion that our primary duty is to safeguard the corporation's long-term sustainability. This can only be achieved by putting policies in place that will generate enough revenue to meet basic expenses – no mean fit in today's marketplace.

This doesn't mean that Burns Lake Community Forest will

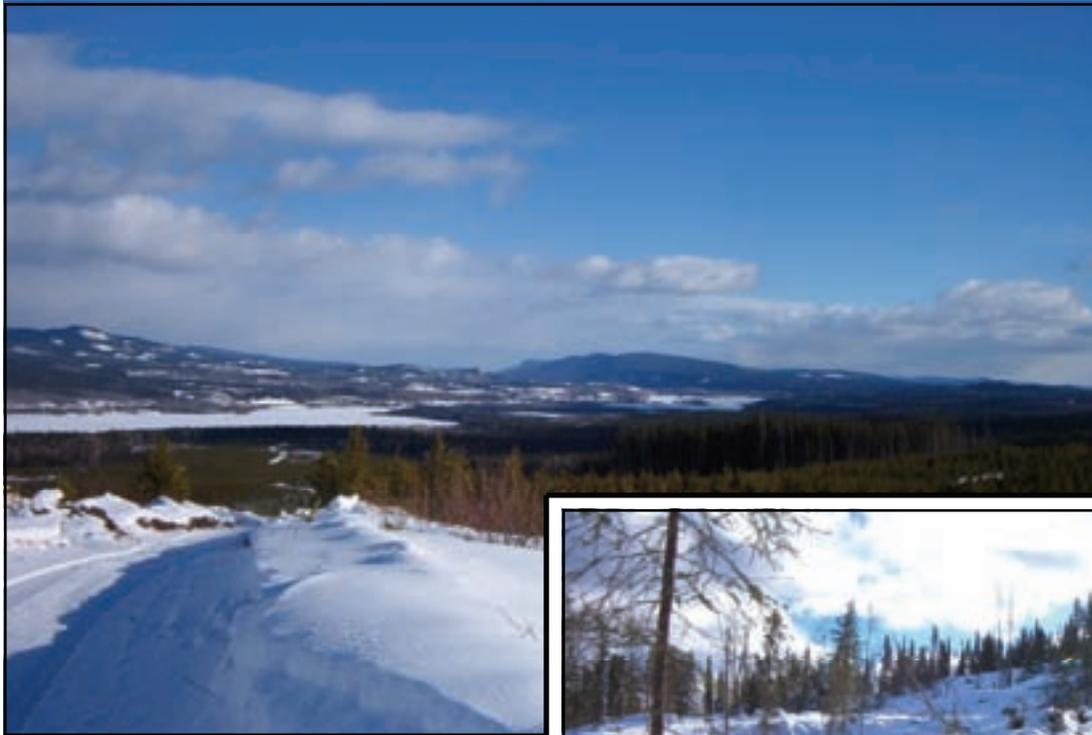
henceforth be nothing more than a profit-driven, community-owned logging company. Indeed, in the coming year our board will continue to explore opportunities to promote forestry training and education, outdoor recreation, and a variety of other activities in the community forest. However, in 2002 (and perhaps beyond) the number and scope of these non-forestry-related initiatives will depend largely on the corporation's financial resources; simply put, we'll do what we can with the financial resources we have.

We'll also continue act as advocates for the local forest industry as a whole, speaking out on such issues as

“As a board, we have come to the conclusion that our primary duty is to safeguard the corporation's long-term sustainability.”

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THE COMMUNITY FOREST IN WINTER



ABOVE: A view of the Village of Burns Lake from Deer Community Forest Road on the south side of Decker Lake.



RIGHT: A view of harvest block #4 in the Gerow Creek area south of Decker Lake.

President's Report (con't)

(Continued from page 6)

stumpage rates, tenure reform, and other provincial policies.

There's no doubt we face challenges in the year ahead. Yet the current crisis in our forest industry need not be viewed as entirely negative; indeed, this can also be a time of opportunity for the industry – including Burns Lake Community Forest Ltd. For this reason, your board of directors will continue to look for new ways of creating wealth and employment for local residents. In the coming year, we'll be taking a closer look at joint ventures that will generate revenue for BL ComFor will providing local entrepreneurs with the forest and non-forest resources they need to create new jobs.

How successful will we be? Only time will tell. But

one thing is certain: We cannot afford to be complacent. In today's world, organizations must change or die. As board members, we are determined that BL ComFor will not only survive current conditions, but flourish as a result of them.

Respectfully submitted by,

Cliff Manning
President

General Manager's Report

The year 2001 was another year of chasing bark beetles.

January and February, we were able to complete approximately 60 per cent of our beetle management goals through harvesting. It became apparent, however, that the current Annual Allowable Cut of 23,677 m³ per year would not permit the Burns Lake Community Forest to harvest all the beetle-infested trees in a given year. The company applied for and received a "beetle harvest only" AAC uplift to 54,000 m³, of which 10 per cent is dedicated to slopes greater than 35 per cent.

Over-flights to identify new beetle infestations were completed, and harvesting layout began in September. Harvesting (right of ways) commenced in July, but markets were soft in the summer and deliveries were curtailed from July to December.

Despite the slowdown in harvesting, the summer was a busy one. We applied to the province in 2001 for partial funding to hire an "Environmental Team". Upon receipt of this funding, we were able to put one supervisor and five students to work upgrading and maintaining the Opal Beds Recreation site and trails, the Guyishton Trail system, the Bear Dens trail system, and the Star Lake trail.

The team also had time to construct approximately nine km of new trail around Kager and Long lakes, and assisted with the Loch Lomond interpretive trail system. The vehicle and equipment utilized in these projects were paid for by the company and are now available for future projects.

The company also applied for and received partial funding for a "First Jobs in Science and Technology" position. The successful applicant assisted in probing, harvesting layout, and various other forestry functions until December.

From a company perspective, perhaps the biggest news of 2001 was our board's decision to purchase the former Ager Medical Clinic. The building has provided us with a very accessible and comfortable new office, and allowed us to provide office space to other community groups and organizations for a nominal fee.



BL ComFor, along with every tenure holder in the Lakes TSA, is forced to continually adapt to meet the challenges of bark beetle management. Faced with low market prices, proposed forest policy changes, and the uncertainty surrounding Canada's dispute with the US over softwood

lumber, our community-owned forest corporation has adopted a "wait and see" approach for the summer of 2002. The field work necessary to identify beetle infestations and potential harvesting areas will continue, however.

Despite the issues mentioned above, BL ComFor not only survived another year but bettered its fiscal position. Unfortunately, however, the economic challenges associated with low quality (beetle infested) timber and depressed log market prices prevented the community forest corporation from achieving many of

the "extra" objectives identified in the original community forest proposal.

At this time, I wish to give a big 'thank you' to members of BL ComFor's board, staff, First Nations' partners, Small Business Forest Enterprise Program logging contractors, and the public for their sup-

port of "community forestry".

Respectfully submitted,

Ken Guenter
General Manager

***'Despite challenges,
BL ComFor not only survived
another year, but bettered its
financial position.'***



Community Forestry in Burns Lake



ABOVE LEFT: ComFor employee Dawn Stronstad with WKES student Tristan Bertacco. ComFor employees visit local schools from time to time to tell students about forestry.

TOP RIGHT: E-team members at work on Kager Lake trail.

ABOVE RIGHT: E-team members on one of many walkways they built on the Kager/Long lakes trail system.

LEFT: Wolf, coyote, and moose tracks on Marten Community Forest Road.

ANNUAL FINANCIAL REPORT
(Projected – Audit incomplete as of this date)
JANUARY TO DECEMBER 2001

Projected Profit and Loss

Revenue	\$2,750,000.00
Cost of Goods Sold	\$2,250,000.00
Expenses	<u>\$ 250,000.00</u>
Net income	<u>\$ 250,000.00</u>

Projected Balance Sheet

Projected Assets

Bank	\$ 35,000.00
Accounts Receivable	\$ 120,000.00
Other Current Assets	\$ 350.00
Fixed Assets	\$ 355,000.00
Other Assets	<u>\$ 525.00</u>
<u>Total Assets</u>	<u>\$ 510,875.00</u>

Projected Liabilities and Equity

Accounts Payable	\$ 221,820.89
Other current liabilities	\$ 31,000.00
Shareholder loan (Village of Burns Lake)	\$ 88,653.09
Bulkley Valley Credit Union Building loan	<u>\$ 134,187.52</u>
	\$ 378,840.61
Equity- Retained Earnings	\$ -213,253.72
- Share capital	\$ 1.00
- Opening balance equity	\$ - 1,533.78
- Net income	<u>\$ 250,000.00</u>
	\$ 35213.50
Total Liabilities and Equity	<u>\$ 510,875.00</u>

AUDITED FINANCIAL REPORT JANUARY TO DECEMBER 2000

Profit and Loss

Revenue	\$ 253174.64
Operating Expense	\$ 419042.37
Administrative and General	\$ <u>47385.99</u>
Net income	\$ <u>(-213253.72)</u>

Assets

Current assets	\$ 18031.78
Capital assets	\$ 3182.82
Other assets	\$ <u>500.00</u>
	\$ <u>21714.60</u>

Liabilities

Bank indebtedness	\$ 94429.20
Accounts payable	\$ 59180.19
Deferred Income deposit	\$ <u>50000.00</u>
	\$ 203609.39

Due to shareholder	\$ 31357.93
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Shareholders Equity

- Share capital	\$ 1.00
- Deficit (loss)	\$ <u>(-213252.72)</u>

\$ 21714.60

Approved by the directors.

Director

Director



The ComFor Building, 153 Francois Lake Drive – The home of Burns Lake Community Forest Ltd.

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: blcomfor@ngis.com

Staff: Ken Guenter, General Manager
Dawn Stronstad, Forester

Banker: Bulkley Valley Credit Union (Lakes District Branch)

Accountant: Marmon Financial Management Ltd.

Auditor: Gerry Phillips

Corporate Performance Committee: Han-Sup Han, University of Northern BC
Jill Davidson, College of New Caledonia
John Illes

Board of Directors: Cliff Manning (President) Andrew George Jr. (Vice-president)
Michael Riis-Christensen (Secretary) Brian Thompson
Scott Miller Lynn Synotte
Miles Fuller Paul H. Jean

Advisory Committee: Lonny J. Miller Tan Calhoun
Rosanne Murray