

*Cortes Community Forest Agreement Proposal***Business Plan**

1. Executive Summary

2. Corporate Background

2.1 Mission Statement

Current Mission Statement: *Cortes Initiative Ltd. (alternative name?) promotes ecologically sustainable forest use for the benefit of the entire Cortes community and practices forest management that maintains the highest level of environmental and economic quality. (*Refer to Draft #4 Mission statement, and 'Ends and Means'*).

The mission of the of the *Cortes Community Forest Corporation is to implement ecosystem-based forest management on Cortes Island to achieve sustainable forest use and a diverse, sustainable local economy. The Cortes Community Forest will manage forest lands on Cortes Island to produce a range of products, services, and benefits for the Cortes Island community and larger referent groups, potentially including:

- timber products;
- non timber forest products, such as edible mushrooms, floral greens, medicinal plants and other wildcrafting products;
- forest recreation opportunities;
- a working model of ecosystem based forestry that will provide the site and contribute expertise to education in ecosystem based forestry.
- other amenities from forested ecosystems.

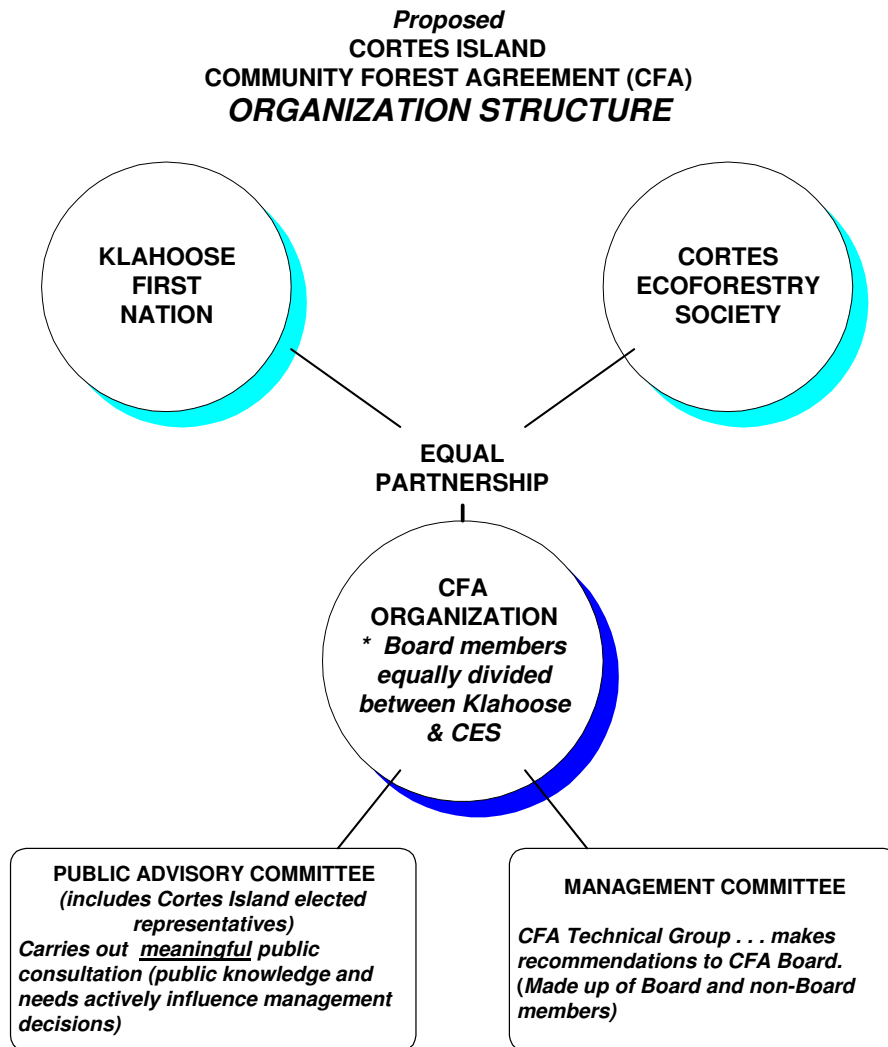
An ecosystem-based approach explicitly recognizes the dependence of human cultures and economies on healthy ecosystems.. It protects forest functioning at all spatial and temporal scales as the first priority, and then sustains a diverse set of human and non-human uses across the forest landscape, within ecological limits. Ecosystem-based forest management is a route to community stability and sustainability. Employment opportunities in local forests can be increased through economic diversification, and through managing forests to provide a wide range of ecological services and valued products. Ensuring an ecologically sustainable flow of diverse resources and services from the forest landscape to the local community is (*one of the means as we have shellfish aquaculture, tourism, and on an increasingly smaller scale, fishery. Alternative wording to be "a logical approach to achieving long-term economic stability."* (##is it really the only means?))

2.2 Business Structure

The Cortes Community Forest tenure will be held by the Klahoose First Nation and managed by a *Community Forest Corporation with a Board of Directors composed of equal representation from the Klahoose First Nation and the Cortes Ecoforestry Society. (*Refer to Shareholder's Agreement, especially for "equal partnership" label on the*

following diagram. Current direction is for Klahoose to hold 51% and CES 49% of the voting shares, but details are still being worked out. The hope is for the corporation to be in existence by the time this document is complete.

Also note further editing changes in diagram below, and Herb's "Diagram #1. 'Management Committee' is now titled 'Operations Advisory Committee' and within its bubble, the 'CF Technical Group' should be put in bold; 'Meaningful' should not be underlined; Delete "EQUAL PARTNERSHIP" and in the CFA Org bubble replace current wording with "Equal representation of Klahoose and CES".) I believe that the Board will have to be a legally incorporated entity capable of holding licences and signing contracts. It is currently defined as "a partnership." I do not know if this will be sufficient for a Community Forest Agreement.)



The Klahoose First Nation has resided on Cortes Island since time immemorial. All of the Cortes Community Forest is within Klahoose traditional territory, and is, like all of Cortes Island, within the area used by Klahoose people. The ecosystem-based forest management regime planned for the Cortes Community Forest is expected to maintain the forest

ecosystem and to maintain forest resources important to the Klahoose First Nation. The Klahoose First Nation is *(The following is lifted from the shareholders agreement)* The Klahoose First Nation is an Indian Band under the Indian Act of Canada, Band Number_553_____ (##legal description of entity)

The Cortes Ecoforestry Society is incorporated, Society Number S-39659, under the B.C. Society Act and registered as of March 26, 2000. The Cortes Ecoforestry Society (CES) was formed to work in partnership with the Klahoose First Nation to gain community stewardship of the working forest lands on Cortes, to create perpetual ecological and economic benefits for the entire community, and to create a model for sustainable ecoforestry. (This could be reworked a bit to include a tiny history of forestry concerns and long time committees and groups that preceeded CES, or it may be more appropriate to include in the “Executive Summary”?) 2.3 *Nature of Business*

In the initial phases of the Cortes Community Forest, the nature of business of the *Community Forest will be forest management and the sale of logs. As the Community Forest proceeds, additional initiatives are envisioned, likely after the first five years of Community Forest operations. These include:

- Achieving certification for ecologically responsible timber management and limited chain of custody through a Forest Stewardship Council (FSC) accredited certification body. Timber management certification will enable the *Cortes Community Forest to promote its operations as FSC-certified.
- Developing and marketing locally produced, value-added timber products.
- Development of subsidiary businesses in non-timber forest products and wildcrafting.
- Development of. a model site of ecosystem-based forestry and contribution of expertise to programs expanding awareness of and promoting ecosystem-based forestry.

3. Management Organization

3.1 **Roles of Community Forest Proponents**

DELETE the following to the “STARRED” Line and replace with “Alternative wording”The following is copied directly from material submitted by CES.

The Community Forest Board will:

1. Develop and administer the ecosystem-based plan for the Community Forest.
2. License rights to use the Community Forest in compliance with the ecosystem-based plan.
3. Collect revenues from licensed forest users.
4. Ensure to the greatest extent possible the equitable distribution of employment and revenues.

(I do not think “develop and administer ecosystem-based plan” is appropriate. The Board will administer a Community Forest Agreement, using ecosystem-based principles.

The board will not “licence rights,” or more particularly, the government is highly unlikely to agree to a Community Forest with any entity which claims to be going to

licence rights. The board will approve plans and proposals made by executive staff, and enter into contracts to carry these plans and proposals out.

For above reasons, collecting revenues from Licensees also strikes me as a non starter.

“Ensure to the equitable distribution ...” What is equitable? Who determines? How defined? What are objectives? Parameters?)

Prior to any decisions, the CFO Board will consider input by the Public Advisory Committee and the Community Forest Management Committee.

(“Any decisions” is very inclusive. Technically speaking, it includes when to break for lunch.)

The Public Advisory Committee will ensure meaningful public consultation, as described in Section--, Public Involvement. It will include representatives from island community groups and a cross-section of the Cortes community. It is intended to provide all Cortes residents, including those who are not CES members, with a satisfactory opportunity to influence Community Forest Board decisions.

(The PAC can not “ensure” meaningful consultation. The Board will work to achieve meaningful public consultation through the creation of.....)

The CFO Management Committee will be a working group consisting of at least one CFO Board member as well as persons selected for their technical forestry and/or business expertise. It will make recommendations regarding technical forestry and business issues to the CFO Board prior to CFO Board meetings. It will also carry out day-to-day Community Forest management.

(The following comment was made to CES re: the Management Committee:

“Wouldn't the day-to-day forest management be carried out by the CFO Staff (Forester, Administrator/Manager, etc.)? It is my understanding that the CFO Management Committee be a group of experts in forestry, business, etc. assembled to provide advice and recommendations to the CFO Board. They would not have a role in the day-to-day operations, other than advising the board on management and policy decisions.”

I strongly agree with this comment. I believe that a competent executive staff is a fundamental requirement to carry out effective and responsible day to day management, rather than a Committee)

Alternative Wording: Use to replace above

The Community Forest Corporation Board will:

- Fulfill the obligations and requirements set out in the Cortes Community Forest Agreement between the Klahoose First Nation and the Government of British Columbia.
- Be responsible for forest management and business management decisions which arise from the operations of the Cortes Community Forest.
- Ensure that an ecosystem-based approach to forest use guides strategic planning and operational planning of Community Forest operations.

- Establish principles and develop policy to provide firm guidelines for all operational planning and implementation.
- Develop and effect appropriate monitoring of the CCFC operations.
- Be responsible for hiring and strategic supervision of operations staff and consultants as required.
- Enter into contractual agreements with other parties as required to facilitate planning, harvesting, and management of the Cortes Community Forest. *(I think Management covers any etceteras. Is this a GM function? Or would the arrangements be made by the GM for the Board? Further thought is that definitely the General Manager would deal with operational contracts and the Board would review them.)*
- Develop strategic directions for the marketing of Community Forest products.
- Assist and encourage the development of local businesses to meet the requirements of the Community Forest for planning, harvesting, silvicultural, and management expertise.
- Work to achieve meaningful public involvement in Community Forest management decisions through appropriate education and distribution of information, followed by consultation with the community.

Strategic and operational planning decisions by the * Community Forest Board will be guided by input from:

- a Public Advisory Committee which will facilitate input and guidance from the Cortes Island community, and,
- a Forest Operations Advisory Committee which will facilitate access to professional expertise.

The Public Advisory Committee will include representatives from island community groups and a cross-section of the Cortes community. The Public Advisory Committee is intended to provide all Cortes residents, including those who are not CES or Klahoose Band members, with a satisfactory opportunity to influence * Community Forest Board decisions. The Board will review PAC reports and will provide information regarding significant decisions involving harvesting plans, employment opportunities and contracts, and log/product sales to the PAC and the Cortes community as a whole, when deemed appropriate or upon request. *(I think additional discussion of the Public Advisory Committee exists, and can be added here.)*

The Community Forest Operations Advisory Committee will be a working group consisting of at least one *CFO Board member as well as persons selected by the Board for their technical forestry and/or business expertise. The Operations Advisory Committee will make recommendations regarding technical forestry and business issues to the *CFO Board and act in an advisory capacity for the General Manager and support staff. Day-to-day Community Forest management will be carried out by the operational staff of the * Corporation. Staff will be responsible, under the supervision of the Community Forest board, for:

- implementing the decisions and directives of the *Community Forest Board;
- strategic and operational planning;
- contract management and administration;

- public liaison; and
- operational supervision on all phases of Community Forest operations.

Additional discussion is required here, which outlines the proposed roles of the CES and Klahoose in the Cortes Community Forest. If the roles can be summed up as “contributes members to board,” fine. If not, more description will be required. Contributes representatives to the CCF Board that are chosen for their specialized and appropriate expertise in ecoforestry, business, finances, and public communications. Also assists Corporation with start up, capacity building, and operations through fundraising, community education and outreach, and policy development. Facilitates educational programs in ecosystem-based forestry. Establishes overall vision and direction for the community forest. (It’s good to end this section with an overview of who is inherently responsible and in charge. Note last statement as Herb has included it in his Diagram #2 under the bubble that defines the corp. Board duties. The overall vision and direction of the Corp., as Herb put it quite succinctly in his recent memo, is “..to protect, maintain, and restore the forest ecosystems of Cortes Island, while providing meaningful work for as many residents of Cortes Island as possible.” This responsibility should remain in the shareholder’s hands and not belong to the Corp. Board. The Board duties then can begin with “Establishing principles for planning and management...” which would have intrinsic boundaries from the overall vision.)

3.2 Key Personnel

The proposed roles and qualifications relevant to those roles of key personnel within the legal entities discussed above.

General Manager:

Responsibilities

- Planning, set-up, and coordination of the day to day management of the community forest, under the direction of the *CCF Board.
- Hiring, coordination, and monitoring of support (administrative, technical, financial, marketing/sales) staff, and contract forest workers.
- Development and execution of the company’s annual plans, as approved by the *Community Forest Corporation Board
- Assures all operations fit within the CCF corporate mission, principles, and policies.

Qualifications to include management/business skills, forestry experience, communication skills, and a foundation in the philosophy of ecoforestry.

Support Staff as required. *I would imagine the requirements will change with time: Initial planning and set up will require more technical/research abilities whereas active operations will require heavier administrative, marketing needs and contract forest work. It has been strongly recommended that a Chief Financial Officer or other qualified individual be hired on a consulting basis to guide the business to sound financial strategy and footing in the preliminary years.*

4. Product Description

4.1 Roundwood Sawlogs

The *Cortes Community Forest will produce and sell timber products during the initial years of operation. While the Cortes Community Forest is interested in exploration and development of business opportunities in other related areas, as noted in Section 0, the operations of the Community Forest will concentrate on timber products during the startup phase.

The initial annual timber harvest from the proposed Cortes Community Forest landbase is 4,600 m³/year.¹ This volume will largely be smaller diameter Douglas-fir, cedar, and hemlock sawlogs from commercial thinning operations at the start of the Community Forest tenure. An initial survey of local small sawmillers indicates that there is an existing market for at least 1,700 m³ of timber per year to feed Cortes Island sawmills. The Community Forest would hope to access this market, and also to encourage expansion in the small sawmilling and custom milling industries by ensuring a predictable, local supply of timber to the local market. This would of course also benefit the *Cortes Community Forest by enhancing the local market for timber products.

Servicing and enhancing the local market is a key for the Cortes Community Forest. Local sales greatly reduce transportation costs by avoiding ferry costs or the cost of log handling and water transport to reach other markets. While it is unrealistic to expect local sawmill operators to let the Cortes Community Forest accrue all of the financial benefits of on-island sales which avoid the costs of off-island transportation, an arrangement to share the financial benefits between Community Forest and local sawmillers is feasible.

4.2 Craft Trees

The Cortes Community Forest will pursue the potential of craft tree sales to provide woodworkers and artisans with access to specific trees to meet their needs. The most effective value added activities based on B.C. forests are carried out by artisans who create specialized and highly finished products for unique market niches. These artisans often have great difficulty in accessing trees which meet their specific needs. Given the high value added to the wood by the artisans, significant premiums can be paid for raw logs in this market. While vegetation cover in the Cortes Community Forest is dominated by second growth Douglas-fir and hemlock forests, opportunities exist to identify and harvest specific unique stems of yew, alder, big-leaf maple, and large diameter conifer stems to meet specific needs, within the limits imposed by forest ecosystem requirements for these unique structures. This type of business is facilitated by ~~##~~(the?) minor harvesting component of some forest tenures in British Columbia. The *Community Forest Board will promote the opportunity for craft tree sales, and will try to develop markets for such timber.

¹ The derivation of this figure is explained in the Preliminary Management Plan for the Cortes Community Forest Application.

4.3 Small Diameter Roundwood

As mentioned above, much of the initial timber harvesting on the Cortes Community Forest will be from commercial thinning operations, which will tend to remove the smaller diameter trees in second growth forest stands. Much of this material will be salable in the conventional sawlog market, but a proportion will be beneath merchantable diameters.

The *Community Forest Board will explore and attempt to develop markets for this small diameter wood. Possible uses identified to date include **firewood, pole construction, fencing rails, teepee poles, furniture and cabinetry**. Certification

The *Community Forest Board will work to achieve certification for ecologically responsible timber management and limited chain of custody through a Forest Stewardship Council (FSC) accredited certification body. Once this has been accomplished, a significant premium on sale prices for roundwood products can be expected. However, the schedule to achieve certification is uncertain, and the premium may vary over time. While the Community Forest supports the FSC certification initiative and plans to become certified, this initial business plan does not rely on additional revenues from sales of certified wood products.

5. Market Analysis and Strategy

5.1 Market Analysis

The Cortes Community Forest will be operating within two distinct markets: the general B.C. coastal log market, and the local Cortes Island market. We identify these as separate markets because there is a significant transportation cost barrier for Cortes Island roundwood products to reach the general coastal market compared to reaching the local Cortes Island market, and because a similar transportation coast barrier affects the access of roundwood products from “off-island” to the Cortes Island market.

5.1.1 Coastal Log Market

The general coastal market is affected at this time by timber shortages, very high delivered log costs, and weak markets. Reductions in the timber management landbase and continued increases in awareness of the potential negative impacts of conventional coastal logging on coastal forest ecosystems have led and continue to lead to reductions in available timber supplies. Delivered log costs are very high as forest companies move into remote and extremely difficult to access terrain, and often employ costly alternative harvesting methods to access fiber. These factors would suggest that there is an available niche for roundwood from Cortes Island in the conventional log market. However, these positive factors (from the Cortes Community Forest point of view) are at least partially offset by the coastal forest industry’s limited access to the United States market as a result of the Softwood Lumber Agreement, and continued weak demand in traditional Asian markets. *(Is this all current information?)*

It would be good to include a paragraph about the current niche market; both here and overseas, for FSC certified wood and products.

The financial viability and fiber requirements of the coastal forest industry are heavily influenced by external factors. The future of the Softwood Lumber Agreement and the state of the Asian market are not controlled by policy makers in British Columbia, nor is

the volume and type of timber supplied to the international market by other countries. A booming coastal industry would of course benefit the Cortes Community Forest. However, the Cortes Community Forest will be able to compete within existing market conditions for the following reasons:

- The extensive existing transportation network within the Cortes Community Forest and on Cortes Island results in reduced road building and road maintenance costs, compared to more remote forestry operations. Government maintained public roads service most of the proposed Community Forest, and existing old road beds from past logging access much of the landbase. The Cortes Community Forest does not have an advantage in this area over the developed second growth forests on the east slopes of Vancouver Island, but does have a significant advantage over locations in remote coastal inlets.
- The species mixture available from the Cortes Community Forest is heavily weighted towards Douglas-fir, with lower quantities of cedar and hemlock. Prices for Douglas-fir and cedar have remained reasonably strong during the current market downturn, whereas hemlock logs currently sell for less than the cost of production and transportation.
- Established log watering and booming facilities which can be accessed by the Cortes Community Forest exist on Cortes Island.
- The proximity of the Cortes Community Forest to communities and services removes the significant costs associated with worker access and job site housing incurred by many coastal logging operations.

The Cortes Community Forest can enter the coastal British Columbia log market as required on a level playing field with other participants, and at a slight advantage over many more remote producers who are not linked to public transportation systems and established communities.

5.1.2 Local Cortes Island Market

As outlined in Section 4.1, a significant market for roundwood sawlogs already exists on Cortes Island to supply the needs of local millers. An initial survey of local small sawmillers indicates that there is an existing market for at least 1,700 m³ of timber per year to feed Cortes Island sawmills. This is 37% of the initial annual timber harvest from the proposed Cortes Community Forest landbase of 4,600 m³/year

This market is currently supplied by roundwood cut from private land on Cortes Island, which is not a reliable, consistent, nor inexhaustible source of logs. Additional transportation costs to reach Cortes Island from “off-island” sources create an effective cost barrier to largely exclude outside log sources from entering the Cortes Island market. As current sources of sawlogs are depleted, the Community Forest will be very well positioned to fulfill the needs of the local market. The Community Forest can compete on an even footing with other producers in this market, and can sell logs at prices well below the delivered costs of logs from “off-island” sources.

While competition is possible, the Cortes Community Forest is a community-based organization which does not intend to “compete” in the local market for roundwood sawlogs. The Cortes Community Forest intends to participate in this market, and to help the community increase employment and demand for roundwood. Providing a steady supply of reasonably priced, predictable quality roundwood sawlogs to community

entrepreneurs will facilitate the creation of additional primary processing and secondary manufacturing capacity.

6. Potential Risks and Pitfalls

In order to assess the co-operative's exposure to external and internal factors, key risks that could affect profitability were identified and assessed. Wherever possible, steps to reduce risks were identified, and operational planning adjusted accordingly.

6.1 Community Forest Agreement Rejected

If the application for a Community Forest is rejected, the *Cortes Community Forest will not have access to timber. There is no means of addressing this risk; however, the Cortes Island community can ask the Ministry of Forests to freeze development on the lands in question during the provincial pilot phase for Community Forest Agreements. Assuming the Ministry of Forests concludes from the results of the community forest operations during the pilot phase that Community Forest Agreements are viable, the Cortes community could apply for a Community Forest Agreement again. Although this would delay the economic benefits created by this proposal, it is likely that the proposal would still be viable.

6.2 Sustained Drop in Timber Prices

The cyclical nature of the timber industry in British Columbia is well-documented. Current timber prices are causing a great deal of difficulty for the coastal forest industry in British Columbia, and many operations are experiencing losses. Forecasting future commodity prices is notoriously difficult.

This analysis indicates that in current market conditions, the Cortes Community Forest is a viable business proposition. There is general agreement that log and lumber prices are not likely to decline significantly from their current low level. Should this unanticipated further decline occur, the Cortes Community Forest would be no better or worse off than any other forest industry player at this time. The only identified factor to potentially offset this business difficulty is for the Cortes Community Forest to achieve certification under the Forest Stewardship Council. While the Community Forest intends to follow this course, they are not able to commit to achieving this goal in the initial period of operations, therefore this business plan does not count the potential benefits of certification in this analysis.

6.3 Risks Inherent in a Community Owned and Operated Business

There are unique business challenges for a community owned and operated business concern. With the typical business owned by one or two individuals, the owners are keenly interested in the success of the business venture. They typically have both equity and effort invested in the business, and they have strong financial incentives to make certain that the business is viable. In a community owned venture, the responsibility is more dispersed, and this has both advantages and disadvantages. There is a risk that there will be less leadership and initiative. This requires that the Board of Directors of the venture provide a breadth of experience and a diversity of perspectives from which confident, well-informed business decisions may be made. The board of the Cortes Community Forest, the public advisory committee, and the technical management

committee will be drawn from the diverse community of Cortes Island. The community has a wealth of business and technical expertise assembled by the many professionals who have moved to the Cortes community after successful careers in diverse industries and settings off-island. Access to diverse and responsible management expertise will be feasible.

6.4 Inability to Meet Production Targets

There are many factors that could interfere with the Community Forest's ability to extract and sell timber. These range from difficulty obtaining cutting permits to weather extremes.

By the time a Community Forest Agreement is reached, the Cortes Community Forest and the Ministry of Forests will have a clear understanding of the management plans and approaches for the area in question, and the requirements to be met by the Community Forest operations. Obtaining cutting approvals following the negotiations for the Community Forest should not be difficult.

Obtaining qualified logging contractors and forestry experts who are ready and able to carry out the work needed in the Community Forest may be challenging. The Community Forest's annual allowable cut is relatively small and many individuals in the forest industries may focus on pursuing larger contracts with a longer work term. However, the Cortes Community Forest has the advantage of being able to access a skilled and diverse workforce of Cortes Island residents. These include individuals and businesses with the required expertise in logging and forestry operations. As many people choose to live on Cortes Island for the community and natural amenities of the area, and as most people wish to work close to their homes when possible, we believe that accessing a skilled and suitable workforce to carry out community forest operations will be possible.

Timber production may also be affected by weather, especially extremes of wet or dry weather on Cortes Island. Logging in very wet weather is not feasible, because of the increased ecological sensitivity of many areas when soils are wet or saturated. Logging in dry weather is also not feasible due to increased fire hazard. As the annual allowable cut for the Community Forest is relatively small, it should be feasible to schedule operations which meet annual cut control requirements into periods of the year when logging operations are feasible.

6.5 Operational Risks—Failure to Comply

This and other areas need to be examined in light of the shift to a Treaty Interim Measure. If the Community Forest failed to comply with the terms of the Community Forest Agreement, or with the requirements of the Forest Practices Code and other related policy and legislation, the Community Forest (*And/or Klahoose risk?*) would be exposed to fines or liabilities. However, this risk is regarded as minimal, as all participants are committed to carry out forestry to the highest environmental standards which will meet or exceed British Columbia's forest legislation and policy. The Corporation will only hire contractors with appropriate qualifications and track records, and who demonstrate a commitment to ecologically responsible forestry.

6.6 Fire and Loss of Timber

The management plan for the Community Forest addresses the issues of fire hazard and fire management in Section ##. While fire is part of the natural disturbance regime, the

Community Forest will ensure that the potential for human-caused fires is minimized in Community Forest operations and on community forest lands. During high fire hazard conditions, logging operations will cease.

6.7 Plantation Failure

The Community Forest will use a variety of partial cutting approaches over much of the Community Forest landbase. This will improve the growing conditions for young trees, result in substantial amounts of natural regeneration in harvested areas, and likely expand the regeneration period significantly from that used in conventional forestry. As a result, the conventional stress on immediate restocking through artificial reforestation in logged-over areas will be absent. As well, Community Forest silvicultural staff will have a lengthy period in which to develop strategies which lead to successful natural reforestation of partially cut areas. Planting will likely be used on some sites, but due to the positive impact of retained crown canopy on regeneration environment for young trees, plantation failure is not expected in any situation. Approaches to reforestation are also addressed in the Community Forest Management Plan, Section ##.

6.8 Disease and Insect Infestation

Significant levels of disease and infestation in community forests would reduce the value and volume of timber available for logging. As discussed in the Community Forest Management Plan, Section ##, forestry plans and operations will be designed to minimize this risk.

6.9 Liability due to Contamination of Domestic Watersheds

Negligent planning, engineering, and/or logging operations could result in negative impacts to water quality, quantity, or timing of flow to domestic water-users on Cortes Island. This would expose the Community Forest to legal liability. It would also jeopardize community support for the Community Forest. Several factors will minimize this risk. As discussed in the Community Forest Management Plan, Section ##, roads, forestry operations, and logging will be carefully planned and carried out to ensure that ecological limits are identified prior to operations and that said ecological limits are not exceeded. The Community Forest will make provision for monitoring operations and ensuring that any potential hazards to water quality, quantity, or timing of flow resulting from Community Forest operations are promptly addressed. Given the ecosystem-based approach under which the Community Forest will operate, and the emphasis on protection of forest ecosystems and water quality throughout the planning and operations phases, we regard this risk as minimal.

6.10 Bad Debt

The Community Forest, like any other business, is at risk that purchasers will fail to pay for goods received. To cover this risk, appropriate credit policies will be established, and accounts receivables will be closely monitored for delinquent accounts. The financial projections included in this business plan make allowances for bad debt.

6.11 Reduction in Annual Allowable Cut

The initial annual allowable cut on which the financial projections contained in this business plan are calculated (##is derived??) from a very conservative point of view.

Following the precautionary principle, we have excluded areas from the initial timber management landbase where there is some doubt as to operability or suitability for timber management. We have also utilized what we believe to be conservative estimates of site growth potential and made ample allowance for retention of ecological structures within the managed forest landbase. As a result, we do not expect that the annual allowable cut calculated for the Cortes Community Forest will decrease significantly from this initial estimate. Further refinement of information and operational planning are, in our opinion, more likely to lead to a small increase in annual allowable cut than a significant decrease.

7. Implementation Plan

Herb to check with Tom about this section

A couple of things to consider:

The common feeling is to avoid incurring debt while the corporation evolves into a viable business. Due to the unique nature of the corporation both CES and Klahoose will be able to access capacity-building funds. Individual donations will be solicited and there is current exploration into the use of non-voting shares as a fundraising tool.

There is a good base of local forestry expertise and experience. For the most part, local contractors own their own equipment and so equipment expenditures, in the initial stages, could be kept to a minimum.

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“If the business will be seeking financing or capital, show how the funds will be acquired and how the lender/investor will be repaid. Include a table listing the various expenditures and the corresponding sources of financing.”

8. Human Resources

“Identify the tasks/jobs that will require employees. Include positions which will be staffed by volunteers. Identify associated costs.”

Cortes Island has a long history of forestry and interest in establishing a community forest is an historical goal. Prior active community interest combined with this current application process has generated employment for office coordination and research as well as technical expertise and consultation.

In terms of current, applicable, forestry experience the Klahoose First Nation has already acquired valuable information and experience in the set up and management of their woodlot. They are currently modeling forest practices that align with CCFC's vision.

Many volunteer hours have been spent in the collection and organization of mapping information for the management plan, and existing capacity and market information for the business plan. Both the Cortes Ecoforestry Society and the Klahoose First Nation expect to play a large part in assisting the business both in start up and capacity funding and

community education. The corporate Board and associated committees initially will not receive remuneration until the business becomes solvent. This, as well as other community 'in kind' contributions, will be of enormous benefit to the CCFC. It is fully expected that the General Manager and support staff will be paid. Initially total hours of work would be the equivalent of two full time positions; expanding with needs and funding. Actual log extraction will be done through contractual arrangements.

(I'm making a rough guess about the 80 hrs paid work per week. Each potential position other than the GM would likely be part time and/or seasonal.)

9. Future Plans

"State the short, medium and long term objectives for the business. Statements shall jive with the rest of the Business Plan and the Management Plan. "

Short Term: Develop organizational structure and policy; establish and train corporate Board and Committees; secure initial start up funds; hire GM; develop and implement operational business and management plans, and budget; research and develop marketing/sales strategies; initiate beginning stages of FSC certification.

Medium Term: Develop log sort area; establish marketing with local mills; research and develop value added and non-timber forest products.

Long Term: Diversify harvests, products, and marketing; FSC certification in place; ecoforestry training to include apprenticeships. Ongoing: Protection, maintenance, and restoration of forest ecosystems; meaningful work for as many local residents as possible; community education and outreach concerning CCF issues and opportunities; marketing and financing information and strategies for new and established businesses; provide a model of community land use and corporate partnership between First Nations and non-aboriginal neighbours.

(Could the above be put into a 'table' format?)

10. Projected Financial Statement Summary

The tables and figures.

(Tom to provide.)

For Further Notes, please refer to accompanying email.