



## Fort Nelson Community Forest

### Frequently Asked Questions (FAQ's)

The Fort Nelson Community Forest (FNCF) involves a partnership between the Fort Nelson First Nation (FNFN) and the Northern Rockies Regional Municipality (NRRM).

#### **1. Governance**

##### **a. What is the organizational structure for the Fort Nelson Community Forest?**

The Partners (FNFN and the NRRM) have chosen a limited partnership agreement model to structure their relationship in pursuing this significant opportunity and have negotiated the terms of that relationship.

##### **b. How will the interests of each Partner be represented?**

FNFN has decided that its affiliate FNFN Forestry Limited Partnership (“FNFLP”) will be the party that represents FNFN’s interest in the partnership, while the NRRM has decided to represent its own interests directly.

##### **c. What are the key documents that govern the Community Forest Agreement (CFA) partnership between FNFN Forestry and the NRRM?**

There are three key documents (the “Corporate Documents”) that govern this partnership. The documents are as follows:

- i. Limited Partnership Agreement creating the FNFN/NRRM Community Forest Limited Partnership (“CF LP”);
- ii. Shareholders Agreement between FNFLP, NRRM and a new jointly-owned corporation, the FNFN/NRRM Community Forest General Partner Corporation (“CF Corp”); and
- iii. Articles for the CF Corp.

##### **d. Why choose a CFA limited partnership structure?**

The limited partnership structure is ideally suited to this type of a partnership between a First Nation controlled entity and a local government. It is designed to limit the liability of the

Partners (FNFLP and NRRM), and to allow FNFN and NRRM to take advantage of their respective tax statuses.

**e. Who or what entity will be making the business decisions for the Partnership?**

As the general partner, CF Corp will be making all decisions of the business. CF Corp will be a corporation under the Business Corporations Act (BC), and as such is a legal “person” separate from its shareholders, FNFLP and NRRM. As a corporation, CF Corp offers its shareholders liability protection. As shareholders, FNFLP and NRRM will exercise control of CF Corp through their respective appointment of directors to the CF Corp Board.

**f. Should CF Corp experience financial losses, who will be responsible for them?**

The Limited Partnership Agreement between the Partners protects the parties from financial loss. Each partner would only be liable for losses up to and including the amount of their capital contribution to the Partnership. In the case of the FNCF this would be limited to the value associated with the CFA tenure. CF Corp is a limited liability corporation that serves to protect the shareholders from liability associated with the operation of CFA.

**g. How many directors will be appointed to CF Corp?**

The number of directors legally proposed for CF Corp is four (4); two (2) to represent FNFN and two (2) to represent the NRRM. In general, the number of directors for CF Boards varies, ranging from three (3) to seven (7). The Partners believe that the proposed number provides efficiencies and will be workable. If the number of Directors of CF Corp becomes an issue in the future, a change can be made at any time, with the agreement of the Partners.

**h. When will the directors of CF Corp be appointed?**

The Partners are currently working within their respective organizations to finalize and appoint directors to the Board of CF Corp.

**i. Is there an opportunity for members of the public to sit on the Board of Directors of CF Corp?**

At this time the Board of Directors will consist of two members from each of the partner organizations. This could include members of the public.

**j. What qualifications will Directors have to possess?**

It is expected that the Partners will be looking for Directors that have some experience in the forest sector and/or good business experience.

**k. Who will manage the day-to-day business activities of CF Corp?**

Once the Board of Directors of CF Corp is appointed, one of their initial tasks will be to determine an appropriate management structure for the Community Forest (CF). This will likely be addressed by the end of Q4-2018.

**l. Now that the Partners have spent 16 months working on developing the CF Agreement, what is the health of their relationship?**

As demonstrated openly at the two Community Forums held at the Phoenix Theatre in October of 2017 and May of 2018, the partnership has developed substantially and a solid foundation of trust and collaboration has already been built and continues to positively evolve.

**m. Why was the Prophet River First Nation (PRFN) not part of the Community Forest partnership?**

The Community Forest lies primarily within the traditional territory of the FNFN. There has been communication with PRFN about the Community Forest and in particular, the forest area selection. This communication will continue to be a priority for the Partners as the Community Forest moves forward.

**2. Community Forest Agreement (CFA)**

**a. When did the Partners receive a letter of invitation from the Minister of Forests, Lands and Natural Resource Operations (MFLNRO)?**

The partners received a letter of invitation to apply for a Community Forest Agreement (CFA) in the Fort Nelson Timber Supply Area (FNTSA) on March 17, 2017.

**b. What is the timing for the CFA application to be submitted to the government?**

The Partners plan to be able to submit the final application package to the government on or before September 1, 2018.

**c. What volume of timber was allocated to the Community Forest by the Province? Why isn't it greater?**

The Province offered the Partners 185,000 m<sup>3</sup> per year. This is 25,000 m<sup>3</sup> higher than what was originally discussed. The Fort Nelson Community Forest (FNCF) will be the largest community forest tenure offered by the Province. The size of the CF could increase over time; however, the Partners believe it is important to build a foundation of success at the current allocated size before an increase in volume is considered.

**d. How much conifer and how much deciduous can be harvested?**

The invitation from the Province stated that no more than 100,000 m<sup>3</sup> per year could be harvested from coniferous leading stands leaving 85,000 m<sup>3</sup> per year to be harvested from deciduous leading stands. The intent is to harvest a volume that matches the timber profile of the CFA.

**e. What stumpage rates and/or rents will the Community Forest have to pay?**

The FNCF will have to pay tabular stumpage rates as set out in the Interior Appraisal Manual (July 1, 2018) . Currently that is approximately \$1.17/m<sup>3</sup> for conifer sawlogs (Spruce) and \$0.50/m<sup>3</sup> for deciduous fibre (primarily Aspen). The Community Forest Agreement annual rent is \$0.37/m<sup>3</sup> of allowable annual cut determined for the community forest agreement area (excludes the volume attributed to the BCTS volume reservation).

**f. How can the potential future need for agriculture land be accommodated within the CF?**

In the future, should some of the CF area be required for agriculture purposes, boundary adjustments can be discussed with the Province so that specific CF areas needed for agriculture could be exchanged for other equivalent forested areas.

**g. Why isn't there a CF Business Plan included in the draft Management Plan?**

The Business Plan for the CF is "Confidential" in that it will have information in it that needs to be kept confidential for business competitive reasons.

**h. Can the CF have a stated objective of wildfire protection too?**

Yes, the CF will have a given objective related to wildfire protection. This will be developed and incorporated into the final CFA application through the included Management Plan. Province-wide, over 100 rural communities and First Nations are engaged in community forest management and there are also more than 800 Woodlot Licenses. Many work to reduce fuel loading in their forests to reduce the threat of catastrophic wildfires. Their experience in planning, administering and implementing investments in the land base will hopefully encourage the Province to look more closely at the critical role that community forests and woodlot licenses can play.

**i. When do you expect the CFA license/tenure to be issued?**

The Partners expect that the Ministry (Ministry of Forests, Lands, Natural Resource Operations and Rural Development) will issue the CFA tenure before the end of 2018.

### **3. BC Timber Sales**

#### **a. Why include BC Timber Sales (BCTS) as a partner in the CFA?**

The area selected for the FNCF included some of BCTS pricing unit areas. As a result, it is Provincial policy that a BCTS volume reservation be established, and hence a partnership with BCTS be included in the Community Forest. The alternative would be to exclude the overlapping areas, and thereby reduce the area and timber volume assigned to the CF. The CFA Partners considered a variety of options to deal with the volume reservation requirements and eventually agreed to include a percentage of BCTS area within the CFA boundary.

#### **b. What were the benefits discussed that led to a decision that included BCTS as a partner in the Community Forest?**

There are a number of operational efficiencies gained by partnering with BCTS. These include but are not limited to additional high-quality wood, cost sharing on such operations as cruising and road layout, block layout, road and bridge construction and silviculture activities.

#### **c. What are BCTS's plans to sell timber from their volume reservation?**

Once the CFA tenure has been issued the CF Corp will work closely with BCTS to identify timber sales opportunities that BCTS can put on the market. The exact timing of that sales activity has yet to be determined and will be up to BCTS to determine the best time to bring that fibre to market.

### **4. CF Corp**

#### **a. What are the plans for communication/engagement with the public after the CFA tenure has been issued?**

The Partners are committed to operating the FNCF in an open and transparent manner. It is envisioned that several methods will be utilized to provide information as well as engage the communities regarding the operations of the CF. CF Corp will be tasked with developing a comprehensive communications strategy.

#### **b. Can the FNCF be managed for more than just timber?**

The Partners intend to manage the community forest for a range of non-timber values including but not limited to wildlife and biodiversity, water quality and quantity, treaty rights, cultural/heritage resources, recreation values, etc.

**c. Have recreational objectives for the CF been discussed?**

Recreation values and opportunities will be incorporated and managed for in the context of timber harvesting activities. The Fort Nelson Demonstration Forest including the managed trails within this area, are but one opportunity for improvement that the CF will be exploring as the future activities of the CF progress.

**d. At the two Community Forum sessions the Partners heard a lot about the export of raw logs, i.e. the community is adamant about not allowing the export of raw logs. They want to see processing done in the community.**

One of the guiding principles of the CF is the “Respect for the belief that timber harvested in the Fort Nelson Community Forest should be sold and processed locally, at fair market value for the logs.” It is hoped that as much of the timber from the FNCF as possible can be processed locally.

**e. What educational/training objectives have been discussed related to the establishment of the FNCF?**

The Partners will ensure that we do our utmost to educate the community about the operations of the CF. In addition, we will ensure that we provide training and support to increase harvesting capacity in our area. A lot of this capacity has been lost over the last 10 years. We will examine how we can better incorporate training and education objectives into the strategic direction taken by the CF.

**f. How will logs generated from the CF be priced? And will local enterprises get an opportunity to purchase those logs?**

In general, the price of logs generated from the FNCF will be at a level that covers all direct and indirect costs including an allowance for profit margin. The exact pricing mechanism will be determined by CF Corp. It is envisioned that local enterprises will be given every opportunity to purchase logs generated by the CF at fair market value for the logs.

**g. What are the intended markets for the timber harvested from the FNCF?**

The exact markets for the fibre generated from the CF are uncertain at this time. However, the Partners anticipate that a strong local demand will materialize once the FNCF operations begin. The mill location at which timber sold from the CF will be processed will be an important factor influencing sales.

**h. Have the Partners had talks/made arrangements with Canfor related to timber sales?**

There have been no formal discussions with Canfor regarding the procurement of fibre from the CF.

**i. Will CF Corp be required to prepare a Forest Stewardship Plan (FSP)?**

The short answer is yes. However, if there was a valid FSP in place for BCTS and/or Canfor it could be possible for the CF to join onto that FSP.

**j. When would you expect harvesting to begin on the FNCF?**

The earliest that any harvesting is envisioned on the CF is the winter of 2018/2019 and more realistically the fall of 2019.

**k. What is the intent for any profits made by CF Corp?**

The CF Corp Board of Directors will work with their respective communities to determine how any profits can be used in the local communities to enhance a range of quality of life issues that could positively impact the health and well-being of local residents.

**l. Medical support issue: This question relates to the above question in that it was asked if funds generated by the CF could be used to support community medical issues such as pregnant women and their families having to leave the community to have their babies as it is costly for many couples?**

Again, any profits generated by the CF will be shared equally between the Partners. Financial support for medical related issues could be considered by the Partners (Shareholders) but is up to each Partner as to how their revenue is to be used.

**m. What type of employment opportunities will the FNCF provide/generate?**

The Partners anticipate that there will be jobs in all phases of the CF operation including but not limited to planning and layout, harvesting and road building, hauling, log yard activities and the various silviculture related activities.

**5. Appurtenancy**

**a. Appurtenancy came up in the discussions in the context of Canfor's non-use of its two tenures over the last 10 years (since 2008).**

The BC Forest Act as it relates to "Appurtenancy" was modified in 2003. The Partners will abide by current Provincial laws and statutes. The Partners have no control over the activities of Canfor and the operation on their licenses. The CF, however, does have the ability to decide to whom it sells its timber.

## **6. Boreal Caribou Considerations**

### **a. How will the CF, through CF Corp, manage for Boreal Caribou values?**

BC Corp will incorporate whatever requirements are finalized through the Province's Boreal Caribou Recovery and Implementation Plan. In addition, the FNFN Medzih Plan will be considered and integrated into the harvesting operations of the CF.

## **7. Trapline Operators**

### **a. How will trapper's rights and interests be incorporated into the management of the CF?**

Holders and users of traplines are known to the Partners. It is the intent of the Partners to actively engage trapline holders to acquire input into CF operations and integrate their rights and interests effectively into CF related planning activities. This engagement is already well underway.

### **b. One trapper was concerned that his entire trapline area within the CF boundary would be logged with the potential to wipe out his trapline.**

The area within the CF boundary will be logged over a long-term time frame. It is envisioned that less than one percent of the forested land base of the CF would be logged in any given year. This will allow for the careful planning of harvest areas of the CF to be spread out over time and space.