Fort Nelson Community Forest
Community Forest Agreement
Application
and
Management Plan No. 1(v4)

Submitted to:
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District Manager
Fort Nelson Natural Resource District
Ministry of Forests, Lands and Natural Resource Operations and Rural Development
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Submitted by:
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Date:__________________
# Table of Contents

List of Figures ............................................................................................................. 5

1 Executive Summary .................................................................................................. 6
   1.1 The Land Base ........................................................................................................ 6
   1.2 Stewardship and Management Plan Regimes ......................................................... 7
   1.3 Community Involvement ...................................................................................... 7
   1.4 Administrative Authority and Governance Structure ........................................... 7
   1.5 Conclusion .............................................................................................................. 7

2 District Documentation .............................................................................................. 8

3 Legal Entity ................................................................................................................ 8

4 CFA Overview ............................................................................................................. 8
   4.1 CFA Land Use and Issues .................................................................................... 11
   4.2 Land use zones .................................................................................................... 11
      4.2.1 Biodiversity ................................................................................................... 12
      4.2.2 Visual Resources .......................................................................................... 12
      4.2.3 Boreal Caribou ............................................................................................. 12
      4.2.4 Harvest History ............................................................................................. 12
      4.2.5 Operability ..................................................................................................... 12
      4.2.6 Recreation ..................................................................................................... 12
      4.2.7 First Nations .................................................................................................. 12
      4.2.8 Other Tenure Holders .................................................................................. 12
      4.2.9 BC Timber Sales (BCTS) ............................................................................ 13
   4.3 Description of CFA ............................................................................................. 13
      4.3.1 Ownership and Existing Tenures .................................................................... 13
      4.3.2 State of Land and Resources ......................................................................... 13
      4.3.3 Environmental Considerations ....................................................................... 14
      4.3.4 Cultural Considerations .................................................................................. 14

5 Management Plan ..................................................................................................... 15
   5.1 Vision, Mission and Goals for the Fort Nelson Community Forest .................... 15
      5.1.1 Fort Nelson Community Forest Vision ............................................................. 15
      5.1.2 Mission of the Fort Nelson Community Forest ............................................... 15
5.1.3 Goals of the Forest Nelson Community Forest ............................................. 15
5.2 Guiding Principles .............................................................................................. 16
5.3 Social, Economic and Resource Management Goals ......................................... 16
5.4 Short-Term Management Objectives .................................................................. 16
5.5 Medium and Long-Term Management Objectives ........................................... 17
5.6 Description of the Forest Resource ..................................................................... 17
5.6.1 Description of the Forest Inventory ................................................................. 17
5.6.2 Description of products to be Produced ........................................................... 21
5.6.3 Harvest Priorities ............................................................................................ 21
5.6.4 Utilization Standards ....................................................................................... 21
5.6.5 Harvest Methods .............................................................................................. 21
5.6.6 Silviculture Practices ....................................................................................... 22
5.6.7 Forest Health Considerations .......................................................................... 22
5.6.8 THLB Reductions for Roads Trails and Landings ............................................. 22
5.6.9 Other Factors Affecting the Allowable Annual Cut ......................................... 23
5.7 Managing for Non-Timber Values ..................................................................... 23
5.7.1 Caribou Habitat and Management ................................................................. 24
5.7.2 Biological Diversity ......................................................................................... 26
5.7.3 Rangeland ....................................................................................................... 26
5.7.4 Recreation ....................................................................................................... 26
5.7.5 Visual Quality Objectives (VQO) .................................................................. 27
5.7.6 Water .............................................................................................................. 28
5.7.7 Wildlife ........................................................................................................... 28
5.7.8 Trapping .......................................................................................................... 29
5.7.9 Fish Habitat .................................................................................................... 29
5.8 Proposed Allowable Annual Cut ....................................................................... 29
5.9 Non-Timber Resources ...................................................................................... 30
5.10 Consultation Measures ...................................................................................... 30
5.11 Consistency with CFA Program Objectives ....................................................... 30
5.12 Public Reporting ............................................................................................... 32
6 Community Awareness and Support .................................................................... 32
6.1 Letters of Support ............................................................................................... 32
6.2 Summary of Public Input Meetings .................................................................... 32
6.3 Ongoing Public Involvement and Engagement ................................................... 33
6.4 First Nations Engagement .......................................................... 33
7 Administrative Authority and Structure ........................................ 33
  7.1 Governance Related Information ............................................. 33
    7.1.1 Mission of the Fort Nelson Community Forest ..................... 33
8 Business Plan ........................................................................... 35
  8.1 Introduction ......................................................................... 35
  8.2 Business Concept ................................................................ 35
    8.2.1 Costs ............................................................................ 35
    8.2.2 Potential Revenues ........................................................ 36
  8.3 Financial Features ............................................................... 37
9 Not For Public Disclosure – Detailed Business Plan ....................... 37
  9.1 Disclosure Statement ............................................................ 37
  9.2 Business Objectives ............................................................. 37
  9.3 Product/Service Description ................................................... 37
  9.4 Industry Market Analysis and Strategy ...................................... 37
  9.5 Potential Risks and Pitfalls ..................................................... 37
  9.6 Implementation Plan ............................................................. 37
  9.7 Projected Financial Summary Statement ................................... 37
10 List of Attachments .................................................................. 37

List of Maps

Map 1 Location of the proposed Fort Nelson Community Forest ........ 9
Map 2 Location of Fort Nelson Timber Supply Area ....................... 10
Map 3 Age Class Distribution in Proposed CFA ............................... 20
Map 4 Proposed Caribou Habitat Zone Relative to the Community Forest... 25

List of Tables

Table 1 Timber Harvesting Land Base Net down ............................... 18
Table 2 Distribution by Biogeoclimatic Zone ................................... 18
Table 3 Utilization Levels ............................................................. 21
Table 4 Biodiversity Old Growth ................................................... 26
Table 5 Visual Quality Objective Summary .................................... 28
List of Figures

Figure 1 THLB Area of Coniferous, Deciduous and Mixed Wood Stands Within the Final CFA boundary ................................................................. 14
Figure 2 Area and Volume by Leading Species ................................................................. 18

List of Appendices
1 Executive Summary

The Northern Rockies Regional Municipality (NRRM) has a long-held interest in obtaining a Community Forest. Similarly, the Fort Nelson First Nation (FNFN) have strong cultural, spiritual, and economic interests in the management of areas within their traditional territory. As a result, these two parties have come together to form a Partnership to acquire a Community Forest in the Fort Nelson TSA. In a March 17, 2017 letter to the parties, then Minister Steve Thomson announced that Government was willing to offer up to 185,000 m$^3$ per year of timber volume to support the partner’s interest in acquiring a CFA. Since that time the Partners have worked diligently toward that goal. Over the 18 months the Partners have work collaboratively with district and regional Forests, Lands and Natural Resource Operations and Rural Development (FLNRORD) staff to identify a suitable operating area for the Community Forest (COMFOR). The following presents our application for a CFA. This application has been prepared in consultation with local FLNRORD staff and in a manner consistent with the Ministry’s CFA application requirements.

1.1 The Land Base

After extensive discussions in the Fort Nelson Resource District, the proponent was able to identify a land base suitable for use as a Community Forest. The proposed Community Forest areas are generally located within a 100-kilometre radius of Fort Nelson. The Community Forest area is approximately 193,262 hectares (ha) in size with a timber harvesting land base (THLB) of approximately 90,135 ha (see Map 1 below).

The CFA area is a very small component of the Fort Nelson Timber Supply Area. The total size of the proposed Community Forest is 193,262 hectares (ha). The current timber harvesting land base (the area upon which the AAC is based) is 90,135 ha which equates to 6.3% of the Fort Nelson TSA THLB of approximately 1,465,000 ha. The area is Crown provincial forest and as such has been used for many purposes over the past 100 years including forest management, oil and gas extraction, hunting and trapping, and outdoor recreation (e.g. trail use and camping). The area resides within the traditional territories of two local First Nations - the Fort Nelson First Nation and the Prophet River First Nation.

Some key issues that will need to be addressed by management of the Fort Nelson Community Forest include existing land management zones, boreal caribou, trapping, First Nations interests and concerns, recreation etc.

The proponent has had a timber supply analysis completed for the Community Forest area. From this analysis it is evident that there is a considerable amount of mature timber to support the target Allowable Annual Cut (AAC) over the short and long-term. As a result, the AAC that has been recommended in the analysis report and approved by the District Manager, is 217,650 m$^3$ per year for the next five years. This AAC includes 185,000 m$^3$ per year for the Partners along with a volume reservation of 32,650 m$^3$ per year for BC Timber Sales (BCTS) to account for the overlap of the CFA with BCTS pricing unit areas.
1.2 Stewardship and Management Plan Regimes

The awarding of a Community Forest tenure to the Partners will provide new opportunities for the community management of Crown land, forests and other forest resources including recreation, water, fish and wildlife habitat along with cultural heritage resources. Through the consultative process we have developed a number of goals, objectives and guiding principles associated with the management of the Community Forest. These include, but are not limited to, developing resource management strategies to maintain, and where possible, enhance caribou habitat, effectively manage the mixed species of forested ecosystems, maintain ecosystem health and biodiversity, and utilizing innovation in all facets of natural resource management, particularly those that positively impact the Mean Annual Increment (MAI) of the CFA.

1.3 Community Involvement

During the development phase of the Community Forest the Partners have kept the local communities apprised of the process and have sought direct input on goals, objectives and the draft application submission through two well-advertised public consultation sessions. The Community Forest area will be managed to provide social, environmental and economic benefits to the local community. Given these management objectives it will be desirable to have our communities well-informed regarding the plans and activities associated with the Community Forest. We plan to hold an annual public meeting to facilitate the dissemination of information. In addition, the public interested in the activities of the Community Forest are free to attend NRRM Council meetings, where Community Forest-related matters are on the agenda. Other communication tools such as newsletters, flyers and a webpage will be evaluated for use as the Community Forest begins operations. We plan to continue building on the relationship foundation with our communities, stakeholders, and existing tenure holders established during the development phase of the Community Forest.

1.4 Administrative Authority and Governance Structure

FNFN and NRRM have been invited by the Province to apply for a Community Forest Agreement (the “CF Agreement”) in the Fort Nelson Timber Supply Area. The Partners have chosen a Limited Partnership model to structure their relationship in pursuing this opportunity and have negotiated the terms of that relationship. FNFN has decided that its affiliate, FNFN Forestry Limited Partnership (“FNFLP”), will be the party that represents FNFN’s interest in the Partnership, while NRRM has decided to represent its own interests directly. The Directors of the Limited Partnership will determine the management structure that is best suited to the operation of the Community Forest.

1.5 Conclusion

As this document attests, the Partners’ proposal contains all the key components of a successful Community Forest. We have identified a suitable land base and AAC, and have a legal entity that will develop a management team that is well suited to managing a forest tenure of this size and scope. We have also identified key management goals, objectives and strategies to guide the management of the Community Forest. In addition, this endeavour enjoys supports from the local communities and key stakeholders. By accepting this application, the Ministry of Forests, Lands, Natural Resource Operations
and Rural Development will provide the NRRM and the FNFN with a unique opportunity to manage local forest and non-forest resources for the public benefit and provide much needed economic activity to the local forest sector.

2 District Documentation

It is anticipated that in May, 2018 the District Manager will provide written confirmation that the proposed CFA area is suitable for a CFA and is consistent with the AAC allocated for the area. See Attachment ______.

3 Legal Entity

The Community Forest will be held and operated by the FNFN/NRRM Community Forest General Partner Corporation which is a Partnership arrangement between the Northern Rockies Regional Municipality and the Fort Nelson First Nation. The legal information is as follows:

FNFN/NRRM COMMUNITY FOREST GENERAL PARTNER CORPORATION

BOX xxx, XXX ALASKA HIGHWAY

FORT NELSON, BC

VOC 1RO

The documentation for the legal entity is in Attachment A, Agreement Holder Legal Entity Information.

4 CFA Overview

The proposed Community Forest areas are generally located within a 100-kilometre radius of Fort Nelson (see Map 1). The Community Forest area is approximately 193,262 hectares (ha) in size with a timber harvesting land base (THLB) of approximately 90,135 ha. The location of the Community Forest is shown in Map 1.
Map 1 Location of the Proposed Fort Nelson Community Forest
The Fort Nelson TSA is the second largest TSA in British Columbia and covers an area of almost 9.9 million hectares in the north-eastern corner of the province, within the Northeast Natural Resource Region (Map 2). The TSA is bordered to the east by Alberta, to the north by the Northwest Territories and the Yukon Territory, to the west by the Cassiar TSA and the Rocky Mountains, and to the south by the Fort St. John and Mackenzie TSAs. The TSA is administered from the Fort Nelson Natural Resource District office in Fort Nelson. The Fort Nelson Natural Resource District, which encompasses the Fort Nelson TSA, is located entirely in the Boreal forest. Forests in this area consist mainly of old and mature stands of spruce, pine, aspen, cottonwood, and birch, in a wide variety of landscapes. The topography of the TSA forms a gradient of increasing relief from east to west, encompassing parts of the Alberta plateau, the Rocky Mountain Foothills, the Liard Plateau, the Liard Plain, the Kechika River Valley and a portion of the Cassiar Mountains. The entire region lies within the Arctic watershed and is largely drained by the Liard River and its major tributaries, including the Fort Nelson, Prophet, Muskwa, Toad, Kechika and Petitot rivers.

Map 2 Location of Fort Nelson Timber Supply Area
Three biogeoclimatic zones occur in the TSA: the Boreal-White-and-Black-Spruce (BWBS), which is the dominant zone covering about two-thirds of the total TSA land base; the Spruce-Willow-Birch (SWB); and the Alpine Tundra (AT). The BWBS zone is very important for wintering ungulates; frequent forest fires over the years have formed a mosaic of upland forests of different ages, providing a variety of habitats. The zone has the least snowfall of all the northern zones in BC. The extensive deciduous forests, which frequently achieve advanced ages here, are important for ungulates, birds and small mammals. While the severe climate of this TSA does limit wildlife occurrence in some isolated portions or at certain times of year, the TSA contains vast tracts of relatively undeveloped land that support abundant, diverse and internationally significant wildlife populations. Large mammals, including moose, black bear and grizzly bear, are common, as are smaller fur-bearers such as wolverine, wolf, lynx, weasel, mink, river otter, beaver and coyote. The TSA also contains a unique range of bird species including the Bay-breasted Warbler, Black-throated Green Warbler, Cape May Warbler, Connecticut Warbler, Nelson’s Sharp-Tailed Sparrow, Trumpeter Swan, and others, many of which are not found elsewhere in BC. The abundant rivers, lakes, and wetlands provide important staging grounds during the migration of water birds such as Pintails, Wigeons, Geese and Teal. Fish species in the TSA include trout, whitefish, burbot, arctic grayling, northern pike and walleye, with rare occurrences of salmon. Approximately 15 fish species occur only in this area of the province. There are few species of reptiles and amphibians.¹

About 5.7 million hectares, about 58 percent, of the TSA are considered productive forest area and in the 2006 AAC Timber Supply Review process it was assumed that about 25 percent of this productive forest (i.e. 1,425,000 ha) is considered available for timber production.²

4.1 CFA Land Use and Issues

The CFA area is a very small component of the Fort Nelson Timber Supply Area. The total size of the proposed Community Forest is 193,262 ha. The current timber harvesting land base (the area upon which the AAC is based) is 90,135 ha which equates to 6.3 % of the Fort Nelson TSA THLB of approximately 1,425,000 ha. The area is Crown provincial forest and as such has been used for many purposes over the past 100 years including forest management, oil and gas extraction, hunting and trapping, and outdoor recreation (e.g. trail use and camping). The area resides within the traditional territories of two local First Nations - the Fort Nelson First Nation and the Prophet River First Nation. Key issues that will need to be addressed by management of the Fort Nelson Community Forest are indicated in Section 4.2.

4.2 Land use zones

The Fort Nelson Land and Resource Management Plan was approved in 1997. The plan identified resource management zones under four categories: protected areas, special management, general resource development and enhanced resource development.

4.2.1 Biodiversity
In 2010, a ministerial order under the Land Act established in non-spatial landscape biodiversity objectives for old forest retention specific to the Fort Nelson Natural Resource District.

4.2.2 Visual Resources
About 13,000 hectares of scenic areas are assigned with visual quality objectives within the proposed Community Forest.

4.2.3 Boreal Caribou
In 2010, Ungulate Winter Range and Wildlife Habitat Areas were established to protect boreal caribou habitat. Similar to other areas of the province Caribou populations in the Fort Nelson TSA have been dwindling. As a result, the FNFN have prepared and realized their Medzh Caribou Action Plan and the provincial government is also developing a Boreal Caribou Recovery and Implementation Plan (BCRIP). Caribou management will be an important consideration in the management of the proposed Community Forest.

4.2.4 Harvest History
Since 2008, much of the harvest in the TSA has been associated with oil and gas related activities (e.g., seismic lines, well sites, sand and gravel pits) and minor forest tenures rather than forest industry activity.

4.2.5 Operability
Operability in the mixed (i.e. coniferous/deciduous stands) forests of the Fort Nelson TSA is a challenge from both a fibre marketing and silviculture perspective.

4.2.6 Recreation
Recreation values and opportunities need to be incorporated and managed for within the context of timber harvesting activities.

4.2.7 First Nations
First Nations treaty rights, interests and concerns need to be recognized and incorporated into forest management strategies and operations.

4.2.8 Other Tenure Holders
The interests of other tenure holders and stakeholders need to be considered and effectively integrated into the operations of the Community Forest.
4.2.9 **BC Timber Sales (BCTS)**

The proposed Community Forest area includes a component of BCTS’s operating area (i.e. pricing area). An effective working relationship will need to be developed with BCTS in order for them to operationalize their volume reservation in a manner that optimal is for both parties.

4.3 **Description of CFA**

The following four sub-sections of the report are provided to assist in describing the proposed Community Forest area.

4.3.1 **Ownership and Existing Tenures**

The Community Forest area consists entirely of crown land, however there is private land adjacent to the Community Forest boundary. The Community Forest Corporation will ensure good communications with these private land holders, as operations proceed.

There are other licensed tenure holders within the Community Forest area. These consist of xx range tenure holders, xx registered trap-lines and the operating areas of xx guide outfitters. These tenure holders will be contacted and kept informed of forest management activities to ensure their interests can be integrated in the operational considerations of the Community Forest.

4.3.2 **State of Land and Resources**

As will be described further in section 5.6.1, the forests in the Community Forest area consist mainly of old and mature stands of spruce, pine, aspen, cottonwood, birch, and black spruce in a mosaic of landscapes (i.e. complexes of wet boggy areas supporting mostly black spruce interspersed with dryer upland sites supporting a mix of the other major tree species).

The final proposed CFA boundary contains a relatively even mix of THLB coniferous, deciduous and mixed wood as shown in Figure 1 below.

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3 Coniferous stands are THLB stands containing ≥70% conifer species; Deciduous stands are THLB stands ≥70% deciduous species; all other THLB stands are mixedwood stands.
4.3.3 **Environmental Considerations**

The key environmental considerations associated with ungulate habitat considerations, particularly with respect to caribou and moose, are very important management considerations. In addition, managing the forest resources for other wildlife species such as fur bears will be a key management objective. Forest cover will be managed with the goal of providing a range of habitats that can be utilized by predator and prey species at various times throughout the year.

Given the proximity of the Community Forest to the Fort Nelson River and its tributaries, all the streams and wetlands in the Community Forest will be carefully managed to avoid any negative implications to the Fort Nelson River and the fish habitat that it supports.

4.3.4 **Cultural Considerations**

The Community Forest area falls within the traditional territories of two local First Nations, those being the Fort Nelson First Nation, and the Prophet River First Nation. The Community Forest Corporation will ensure that all the legislative, regulatory, and policy requirements regarding the protection and management of cultural and heritage resources are fully met. In addition, the corporation and BCTS will strive to work in close collaboration with the two First Nations in order to get input into the strategic and operational direction for the Community Forest. Sections 5 and 6 of this application submission constitute the management plan and strategic direction for the Fort Nelson Community Forest. The information that follows in these two sections will be used in the preparation of the Forest Stewardship Plan (FSP).
5 Management Plan

Sections 5 and 6 of this application submission constitute the management plan and strategic direction for the Fort Nelson Community Forest. The information that follows in these two sections will be used in the preparation of the forest stewardship plan.

5.1 Vision, Mission and Goals for the Fort Nelson Community Forest

5.1.1 Fort Nelson Community Forest Vision
The Fort Nelson Community Forest will sustainably manage and harvest the forest lands granted under the Community Forest Agreement to the mutual benefit of its Partners and the Partner communities. The Partner communities will be self-reliant and sustainable communities through a locally controlled, financially sound and responsible Community Forest business.

5.1.2 Mission of the Fort Nelson Community Forest
- To establish and provide local control of dedicated forest resources to encourage the local harvesting and processing of this vital resource;
- To provide for self-determination and economic diversity and stability for the Partner communities;
- To provide a broader perspective on the forest industry in BC for our Partner communities; and
- To practice and model excellence in forestry stewardship of the local forest resource.

5.1.3 Goals of the Forest Nelson Community Forest
- Safety: Management of the Community Forest Operations will be done in a manner that reflects safety as being our top priority;
- Sustainability vs. Profitability: Manage the Community Forest to create both a sustainable and a profitable local forest industry;
- Community Goals:
  - Create local employment and economic development opportunities;
  - Provide a revenue source for supporting Partner community initiatives;
  - Manage a diversified timber resource that will support small and resilient local operations;
  - Address the needs of local residents through a full consideration of trapping rights, treaty rights and environmental and wildlife concerns; and
  - Influence local forest land management to ensure that the Partner Communities will benefit from these resources;
- Traditional Knowledge: Manage the Community Forest from the aspect of overall value that cannot be defined solely in financial terms, understanding that the traditional knowledge of the land base is very important;
- Wildfire Prevention: Support and invest in community wildfire prevention initiatives; and
• **Forest Policy:** Actively participate in the BC Community Forest Association in order to influence forest policy in BC.

### 5.2 Guiding Principles

- Respect for the diversity of opinions and values in our Partner communities;
- Forest resources are managed in a manner that assures environmental sustainability;
- Respect for the belief that timber harvested in the FNCF should be sold and processed locally, at fair market value for the logs;
- All stakeholders are assets to the CF and are treated with respect, and operations are done in an open and transparent manner;
- The FNCF will embrace and represent community values in the management of the CF by ensuring community members will have the opportunity to provide input into the strategic objectives for the CF; and
- Ensuring the Partner community members are engaged in the management activities of the CF through both direct and indirect communication such as newsletters, community meetings and annual reports.

### 5.3 Social, Economic and Resource Management Goals

The Fort Nelson Community Forest Corporation will operate the Community Forest in a manner consistent with the objectives and guiding principles outlined above. In addition, we will:

- Incorporate the views and values of community members and stakeholders in developing the strategic and operational direction for the Community Forest;
- Consider legacy projects to improve the overall health and productivity of the CFA, and enhance the communities of Fort Nelson as a whole;
- Provide educational opportunities to support local secondary and post-secondary institutions;
- Manage the CFA to ensure the short- and long-term economic viability of the CFA;
- Develop resource management strategies to improve ecosystem health and biodiversity; and
- Conduct activities on the CFA in a professional and sustainable manner, and promote continual improvement in all aspects of its operation.

### 5.4 Short-Term Management Objectives

The short-term objectives for the Fort Nelson Community Forest are to:

- Meet the performance expectations set in this Management Plan and CFA application and pertinent legislation, regulation and policy;
• Upon award of the CFA prepare a Forest Stewardship Plan consistent with the direction established in the management plan;
• Commence harvesting operations and reforest those areas, with an ecologically appropriate mix of tree species; and
• Continue to build on the relationship foundation with the communities, First Nations, stakeholders and existing tenure holders established during the development phase of the Community Forest.

5.5 Medium and Long-Term Management Objectives

The medium and long-term objectives of the Fort Nelson Community Forest are to:

• Complete a review of the CFA inventory and site productivity;
• Review the harvest flow forecast for the Community Forest following the completion of forest inventory and site productivity related work;
• Encourage innovation in all facets of Natural Resource Management, particularly those that positively impact the Mean Annual Increment (MAI) of the CFA;
• Update the Management Plan and Forest Stewardship Plan as required;
• Monitor and report on the achievement of resource management goals and objectives for the CFA; and
• Ensure appropriate mechanisms and processes are in place for effective communications with community members and stakeholders.

5.6 Description of the Forest Resource

5.6.1 Description of the Forest Inventory

The forest resources of the Community Forest are part of a large geographic area in northeast British Columbia within the Fort Nelson TSA. This area of the Province has a gradient of increasing relief from east to west, encompassing parts of the Alberta plateau, the Rocky Mountain Foothills, the Liard Plateau, the Liard Plain, the Kechika River Valley and a portion of the Cassiar Mountains. The entire region lies within the Arctic watershed and is largely drained by the Liard River and its major tributaries, including the Fort Nelson, Prophet, Muskwa, Toad, Kechika and Petiot rivers.

The area within the proposed CFA is 193,262 hectares in total. Within this area 162,373 hectares is Crown forest within which 87,802.6 hectares is THLB. The area falls predominately within the Boreal Plains Natural disturbance Units (94%), with the remaining area within the Northern Boreal Mountains NDU. All of the Area is within the BWBS mk Biogeoclimatic zone. Portions of the proposed CFA fall within 8 landscape units. These are the Clarke, Cridland, Kiwigana, Kledo, Klowee, Klua, Nelson Forks and Sandy landscape units.
The varied upland terrain of the Community Forest area is mostly forested mainly of old and mature stands of spruce, pine, aspen, cottonwood, birch, and black spruce in a mosaic of landscapes (i.e. complexes of wet boggy areas supporting mostly black spruce interspersed with dryer upland sites supporting a mix of the other major tree species).

Following are a number of tables identifying key points of interest with respect to the Proposed Community Forest area.

**Table 1  Timber Harvesting Land Base Net down**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Area</td>
<td>193,262</td>
</tr>
<tr>
<td>Crown Forested Land Base</td>
<td>162,373</td>
</tr>
<tr>
<td>Timber Harvesting Land Base</td>
<td>90,135</td>
</tr>
</tbody>
</table>

**Table 2  Distribution by Biogeoclimatic Zone**

<table>
<thead>
<tr>
<th>BEC LABEL</th>
<th>THLB Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BWBSmk</td>
<td>193,262</td>
</tr>
<tr>
<td>Total</td>
<td>193,262</td>
</tr>
</tbody>
</table>

**Figure 2  Area and Volume by Leading Species**

![Area and Volume by Leading Species](image-url)
Figure 3  Graph of Current Community Forest Age Class Distribution
Map 3  Age Class Distribution in Proposed CFA
5.6.2 Description of products to be Produced

At this time, it is not clear exactly how the fibre from the Community Forest may be processed and utilized. The Fort Nelson Community Forest is in a very different situation from other Community Forests around the province in that there is currently no major processing facilities of any kind in Fort Nelson. Notwithstanding the current situation, the Community Forest Corporation is confident that markets/demand will materialize for the coniferous sawlogs and our deciduous fibre (i.e. both aspen and birch).

We expect that members of the FNFN may be interested in utilizing some of the non-timber forest products for traditional uses such as birch bark containers and plants for medicinal purposes.

The COMFOR CORP will look for every opportunity to support local enterprises requiring fibre as well as non-industrial uses of the fibre (i.e. firewood) for local community members or fund raisers.

5.6.3 Harvest Priorities

The forest conditions within the Community Forest are such that there is not a harvest priority in terms of forest health agents or other short-term forest management considerations. Therefore, the management strategy will be to identify the stands for harvest that are in the older age classes and meet the economic and environmental objectives of the Community Forest.

5.6.4 Utilization Standards

The timber cut under the CFA will have merchantable timber specifications defined by the maximum stump height, minimum top diameter inside bark (DiB) and minimum diameter at breast height (dbh) by species to calculate merchantable volume.

Utilization levels used to determine merchantable volumes in the timber supply analysis for the Community Forest are shown in Table 3

<table>
<thead>
<tr>
<th>Table 3 Utilization Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Species</strong></td>
</tr>
<tr>
<td>Lodgepole Pine</td>
</tr>
<tr>
<td>Other Conifer</td>
</tr>
<tr>
<td>Deciduous</td>
</tr>
</tbody>
</table>

5.6.5 Harvest Methods
The harvesting methods to be employed in the Community Forest will generally mirror those methods used elsewhere in Northeast British Columbia. For the most part we envision utilizing conventional feller bunchers employing a cut-to-length system with decki to roadside. This approach will maximize harvesting productivity and minimize soil disturbance. Existing contractors within the local area are familiar with this system of harvesting which will be key to successful harvesting operations. Harvesting methods and activities will also ensure that fuel management considerations are fully integrated into the forest management activities of the Community Forest.

5.6.6 Silviculture Practices

Current forest management legislation, regulation and policy, focus silviculture efforts on the establishment of free-growing stands after harvesting. This activity will be a legal obligation associated with the successful management of our Community Forest. Our intent will be to maximize the value of this investment in basic silviculture through strategies such as planting as quickly after harvesting (i.e., very short regenerations delays) and utilizing genetically improved stock. These strategies, combined with improved estimates of site productivity will be reflected in subsequent timber supply modelling, AAC determinations and management plans for the Community Forest area following the first five year period. We will promote ecologically appropriate mixed species plantations and consider implications of climate change when developing our silviculture prescriptions. We will also explore and utilize silviculture strategies in the Community Forest that result in improvements to the mean annual increment (MAI) and ultimately have a positive effect of timber supply.

5.6.7 Forest Health Considerations

As with the unexpected losses from fire, the loss of timber due to forest pests and forest health agents is largely undesirable. Some of the currently important forest health factors include:

- Spruce bark beetle
- Stem rusts
- Tissue feeders including spruce leader weevil
- Eastern Spruce Budworm
- Root diseases Pine mistletoe
- Windthrow
- Fire

We will ensure that our forest health related strategies and activities are consistent with the best management practices for forest health in local resource districts.

Within two years of entering into the CFA, a forest health strategy will be developed. The implementation of this strategy will be monitored and the monitoring results will be included in future timber supply modeling and AAC determinations for the Community Forest.

5.6.8 THLB Reductions for Roads Trails and Landings
The construction of roads, trails and landings will be governed by the stipulations of the Forest Stewardship Plan that will be developed for the CFA as per the Forest and Range Practices Act and associated regulations.

From a timber supply modeling perspective, reductions for future roads were applied by shifting 4.6% of the area in post-harvested unmanaged stands to the non-forest land base. We will explore strategies, such as road rehabilitation and minimizing the construction of permanent access structures to reduce this percentage over time.

The Community Forest Corporation will ensure that roads constructed or maintained in the Community Forest are structurally sound and safe. We will ensure the impact of roads on timber and non-timber resources is minimized.

Given the network of existing forest roads, seismic lines and trails within the Community Forest area it is expected that there will be opportunities and strategies that can be employed to minimize future NRLs and capture the resulting positive timber supply implications.

5.6.9 Other Factors Affecting the Allowable Annual Cut

Another factor that needs to be considered in establishing an Allowable Annual Cut for a management unit are issues associated with non-recoverable losses. These are losses to timber values that can occur for a number of biotic or abiotic factors but need to be accounted for.

Non-recoverable losses (NRLs) account for a loss of merchantable volume due to wind, fire or endemic insect events that are not otherwise captured through the timber supply analysis for the Community Forest. NRLs reflect volume not expected to be recovered or salvaged. Losses attributed to MPB were modeled separately using shelf life assumptions. For the timber supply analysis, the NRLs were calculated pro-rata, based on the information from the Fort Nelson 2017 Data Package. A THLB was derived for both the Community Forest and for the entire Fort Nelson TSA. The ratio of the Community Forests THLB to that of the TSA was used to estimate NRLs for the Community Forest. The total NRLs for the CFA area is 6550 m$^3$/year and this has been accounted for in the timber supply analysis and the projected AAC for the CFA.

5.7 Managing for Non-Timber Values

* The THLB area and the TSA NRLs for the Fort Nelson TSA was assumed based on the 2006 DFAM analysis. In this analysis the THLB was 1,432,269 hectares and the NRLs were 106,355 cubic metres per year. This results in 0.0743 cubic metres of NRL per ha of THLB.
5.7.1 Caribou Habitat and Management

Boreal caribou are a species that exist across Canada but the vast majority of the boreal caribou in British Columbia are found in the Liard watershed basin, within Fort Nelson First Nation (FNFN) territory including some of the environs located within the Community Forest.

Members of FNFN have harvested caribou throughout their territory for countless generations. FNFN Elders explain that they used caribou in a variety of ways, including for sustenance, clothing, making snowshoes and bedding out of the hides, and making utensils. FNFN Elders and harvesters say that caribou are increasingly rare in the Liard River basin and that sightings of caribou have declined over the last 10, 20, and 30 years. Many of their sightings and experiences with harvesting and using caribou took place when they were children. FNFN Elders express concern about caribou populations and health. In particular, many of them talk about the effects of seismic lines, roads and industrial sites that disturb caribou and make it easier for predators to access caribou habitat. Community members also note the increasing presence of predators in important caribou areas, including wolves and bears, as a reason for declining caribou populations.

As a result of the declining caribou population trends within their territory, the FNFN, in September 2017, prepared and released their “Medzh Action Plan; Forest Nelson First Nation Boreal Caribou Recovery Plan”.

FNFN’s Medzh Action Plan (MAP) is founded on the principle that spatially identified and protected habitat is paramount to boreal caribou recovery. To that end, FNFN have identified and mapped two types of zones within boreal caribou habitat: Protection Zones and Recovery Zones. (See CFA caribou management zone map). FNFN expects that this first set of zones will be modified and refined, but that the general magnitude of Protection and Restoration Zones will need to remain similar in order to effectively recover caribou populations.

The CFA Partners are also fully aware of the province’s efforts to manage declining caribou populations through the “Boreal Caribou Implementation Plan (BCRIP)” initiative. This work has also identified critical caribou habitat through spatially defined caribou “core” and “range” habitat areas.

The management of key caribou habitat is an important management objective for the CFA. As a result, the habitat areas identified through the MAP and BCRIP within the Community Forest area will be managed in a manner consistent with objectives identified by the FNFN and the province in managing critical caribou habitat.
Map 4 Proposed Caribou Habitat Zone Relative to the Community Forest
5.7.2 Biological Diversity

Biological diversity, or biodiversity, is defined as the full range of living organisms in all their forms and levels of organization, and includes genetic diversity, species diversity and ecosystem diversity and the evolutionary processes that link them. Biodiversity within the Community Forest area will be managed for at both the landscape and stand level.

At the landscape level we will follow the direction provided in the provincial old growth order. For timber supply analysis purposes old growth constraints were applied by Natural Disturbance Unit (i.e. NDU) according to the old growth order. More specifically the constraints applied were as follows: 17% to 37 % in stands greater than 140 years in each of the following natural disturbance units:

Table 4 Biodiversity Old Growth

<table>
<thead>
<tr>
<th>Natural Disturbance Unit</th>
<th>Leading Species</th>
<th>Age of Old</th>
<th>Minimum Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Boreal Mtns.</td>
<td>All</td>
<td>140</td>
<td>37</td>
</tr>
<tr>
<td>Boreal Plains Uplands</td>
<td>Conifer</td>
<td>140</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Deciduous</td>
<td>100</td>
<td>17</td>
</tr>
</tbody>
</table>

Additionally, biodiversity will be managed for through the application of Wildlife Tree Patch (WTP) retention. In our timber supply analysis an 8.9% reduction was applied to the yield tables to reflect volume retained in each block for WTPs. This reduction will be a minimum target for wildlife tree retention.

In addition to the management approach outlined above we will also consult with existing tenure holders such as trappers to determine how best to implement stand level biodiversity practices such as riparian area management, connectivity strategies and wildlife tree management to assist in meeting their needs.

5.7.3 Rangeland

There are currently six licenced range tenure holders within the Community Forest area. We will work with the tenure holders to ensure that range management activities are effectively integrated with recreation, timber and non-timber resource operations.

5.7.4 Recreation

The Community Forest Corporation recognizes that many recreation values may exist within the boundaries of the Community Forest area. Recreational uses may include:

- Hunting & fishing;
- Camping;
- Hiking;
- Mountain biking;
- Cross-country skiing;
- Wildlife viewing;
• Trail riding; and
• ATV & snowmobiling.

There are a number of existing recreation related tenures within the Community Forest area, one of which is the Forest Nelson Demonstration Forest.

The Fort Nelson Demonstration Forest was initially established in 1990 when two cut blocks, were harvested in close proximity to Fort Nelson. The money generated from logging these two cut blocks funded the development of the trails. Many of the existing trails utilize old logging roads and skid trails. The main purpose of this area was to provide the public with knowledge of how forestry practices and methods could provide a sustainable forest. Many different silviculture trials and tree species were used within each of the cut blocks. Trails were cut and designed to allow people to take tours of the forest, signs were placed along the trails, and a booklet was designed and produced which correlated with trail signage (see Appendix x).

The Fort Nelson Demonstration Forest is used for more than just forestry purposes; it is used by the Fort Nelson Ski Club and the general public. Up to 2008, many volunteer groups have maintained the Fort Nelson Demonstration Forest. Currently, the Northern Rockies Regional Municipality, along with the local ski club, have taken on management responsibilities for the Demonstration Forest.

In 2009, the Job Opportunities Program (a Government grant program for displaced forestry workers) was utilized to renew this resource in the community. The trails were widened, wood chips placed on the trails, new trail signs hung, boardwalks repaired, and new outhouses and picnic tables were installed (Figure 3 & 4). This proved to benefit our community by making the Fort Nelson Demonstration Forest more pleasant for all users, who can now enjoy the great outdoors in their own back yard during any season.

In May 2010 the Northern Rockies Regional Municipality prepared the “Fort Nelson Demonstration Forest 5 Year Plan - Maintenance and Improvement Opportunity Projects”.

It is our intent to initiate a dialogue with the various interest groups that have established themselves within the Community Forest area specific to the aforementioned recreational pursuits. Our goal is to foster cooperative relationships that would ensure recreation values are effectively integrated and managed for within the Community Forest. We envision developing a recreation management strategy for the Community Forest area within the first two years of entering into the CFA. This management strategy would be a fundamental input into any investment decisions with respect to recreational activities and infrastructure within the Community Forest.

5.7.5 Visual Quality Objectives (VQO)

Forest cover requirements for visually sensitive areas (retention and partial retention) were applied to the entire Community Forest area based upon the VQO designation. A VQO of a max 11% < green up was applied to partial retention forests and max 4% < Green up to retention forests. Green up for the non-visually sensitive areas was assumed to be 3 metres and achieved at \( x \) years as the average site index was approximately \( y \).
Table 5  Visual Quality Objective Summary

<table>
<thead>
<tr>
<th>Visual Quality Objective (VQO)</th>
<th>THLB Area (hectares)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modification VQO</td>
<td>2,910</td>
<td>3</td>
</tr>
<tr>
<td>Partial Retention VQO</td>
<td>9,088</td>
<td>10</td>
</tr>
<tr>
<td>Retention VQO</td>
<td>775</td>
<td>1</td>
</tr>
<tr>
<td>Not Visually Sensitive</td>
<td>75,030</td>
<td>85</td>
</tr>
<tr>
<td>Total</td>
<td>87,803</td>
<td></td>
</tr>
</tbody>
</table>

The Forest Nelson Community Forest Corp. will review the existing visual landscape inventory with the Ministry of Forests, Lands, Natural Resource Operations and Rural Development to determine its applicability and suitability etc. Opportunities to refine the existing visual landscape inventory will be explored.

5.7.6  Water
Water quality and quantity are important resource management considerations given the close proximity of the Community Forest area to the Fort Nelson and Liard River systems. The applicable legislation and regulations will be met when managing timber and non-timber values including water values. At this time, there are no known licenced water users within the Community Forest area, however monitoring of forest management activities will take place to ensure water quality concerns are met.

5.7.7  Wildlife
The Community Forest area is encompassed entirely within the Boreal forest. The Boreal-White-and-Black-Spruce Zone is very important for wintering ungulates; frequent forest fires over the years have formed a mosaic of upland forests of different ages, providing a variety of habitats. The zone has the least snowfall of all the northern zones in BC. The extensive deciduous forests, which frequently achieve advanced ages here, are important for ungulates, birds and small mammals.

The severe climate of this geographic area of the province including the Community Forest does limit wildlife occurrence at certain times of year. The Community Forest contains tracts of relatively undeveloped land that support abundant and diverse significant wildlife populations. Large mammals, including Moose, Black Bear and Grizzly Bear, are common, as are smaller furbearers such as Wolverine, Wolf, Lynx, Weasel, Mink, River Otter, Beaver and Coyote. Other mammals such as Marten, Fishers, Fox, Squirrels, Rabbits, Mice and Voles may also be present at varying population levels.

The larger timber supply area contains a unique range of bird species including the Bay-breasted Warbler, Blackthroated Green Warbler, Cape May Warbler, Connecticut Warbler, Nelson’s Sharp-Tailed Sparrow, Trumpeter Swan, and others, many of which are not found elsewhere in BC. The abundant rivers, lakes, and wetlands provide important staging grounds during the migration of water birds such
as Pintails. It is reasonable to assume that some or all of the above-mentioned species could utilize the various habitats within the Community Forest area.

Management intent will be to provide wildlife habitat of sufficient quantity and quality to support healthy wildlife populations. We will integrate forest and other resource management operations with fish and wildlife management.

5.7.8 Trapping
Trapping of fur bearers is an important economic and cultural activity within the Fort Nelson TSA. Within the Community Forest there are ___ registered traplines. The CFA Partners are committed to regular communication with trapline holders/users in order to get their input into the operations of the Community Forest. This regular communication will help to ensure that our operations are carried out in a manner that is harmonized with trapline users.

5.7.9 Fish Habitat
There are various wetlands and streams and a few small lakes throughout the Community Forest area that are tributary to the Fort Nelson River. These areas provide important habitat for various resident trout and other fish populations and are a valuable component of the Fort Nelson River system, which is home to a number of important fish species such as grayling trout, white fish, pike and pickerel. Care will be taken to manage all riparian areas in a manner that protects fish habitat and fish populations.

5.8 Proposed Allowable Annual Cut
The Timber Supply Analysis (i.e., “Fort Nelson Community Forest, Timber Supply Analysis and Data Package”) for the Community Forest area was completed by Industrial Forestry Service Ltd. The complete analysis is presented as Attachment ___.

This analysis describes the methodology used to complete the analysis along with the results of the analysis including various sensitivity analysis.

The Base Case harvest of 217,650 cubic metres per year can be maintained for 100 years before dropping to the long-term harvest of 199,850 m³/year. From within this harvest, the amount of volume coming from BCTS operating areas averaged 31,560 cubic metres per year for this first 50 years.

The key uncertainty relative to timber supply is the yet to be finalized caribou management objectives. As indicated by the sensitivity analysis completed by IFS the largest potential implication for the timber supply of the Community Forest could arise through the use of a seral stage cap in caribou range areas. It is anticipated that the BCRIIP will include a seral stage cap for caribou range areas, however, a government decision regarding this issue has not been finalized. A sensitivity analysis was completed utilizing a potential 6% seral stage cap which demonstrated that an AAC of 117,000 m³/yr. could be maintained for 150 years with approximately 18,200 m³ coming from BCTS pricing unit areas. Given this significant uncertainty, the CFA believes it is prudent to proceed with the best available information and make adjustments to the CFA upon finalization of caribou management objectives by the provincial government.
As a result, the AAC that has been recommended in the analysis report for approval by the District Manager is 217,000 m³ per year for the next five years inclusive of a 31,560 m³/year volume reservation for BCTS.

5.9 Non-Timber Resources

Non-Timber Forest Resources (NTFR) could include a variety of products such as wild foods (e.g. mushrooms, blueberries, huckleberries, etc.), crafts and art products (e.g. birch bark), and services such as traditional-use education and forest-based tourism. We plan to complete a NTFR inventory that will be used to identify potential opportunities for the utilization and management of NTFRs in the Community Forest.

5.10 Consultation Measures

In addition to the information provided in Section 5.12 “Public Reporting”, the CFA Partners will ensure that we develop and maintain an up-to-date inventory of all existing licenced tenure holders, key interest groups and stakeholders that are pertinent to the Community Forest area.

Preparation and consultation on our Forest Stewardship Plan will be a cornerstone of our consultation activities. An FSP consultation strategy will be developed and followed during the preparation of this licence requirement.

In addition, licensed users will be informed of any Community Forest plans and will be provided an opportunity to respond with any concerns. The CFA Partners will incorporate concerns within its plans in a practicable manner that is consistent with our broad management objectives and guiding principles.

When the CFA Partners receive written comments regarding CFA plans, whether from the general public or licenced users, these comments will be included in planning documents along with a response explaining how comments have been addressed. These responses will also be provided to those persons or organizations submitting written responses.

In addition to these provisions, the requirements of provincial legislation, regulations and policy for public involvement and consultation with the general public and licenced users will be followed.

5.11 Consistency with CFA Program Objectives

The Ministry of Forests, Lands, Natural Resource Operations and Rural Development has developed a number of objectives for the Community Forests agreement program. More specifically the ministry has stated the following:

“This form of tenure is intended to provide new opportunities for community management of Crown forest land.

By providing communities with greater flexibility to manage local forests, government seeks to:
• Provide long-term opportunities for achieving a range of community objectives, values and priorities
• Diversify the use of and benefits derived from the Community Forest agreement area
• Provide social and economic benefits to British Columbia
• Undertake Community Forestry consistent with sound principles of environmental stewardship that reflect a broad spectrum of values
• Promote community involvement and participation
• Promote communication and strengthen relationships between Aboriginal and non-Aboriginal communities and persons
• Foster innovation
• Advocate forest worker safety”

The CFA Partners believe that the information provided throughout this application submission clearly demonstrates how the objectives outlined above will be managed for. Notwithstanding the forgoing, we offer the following information to support the information found in the various sections of this application.

The CFA Partners will:

• Seek out opportunities to be innovative in our management approach and we will ensure safety is the top priority in the planning and implementation of any operations associated with the management of the Community Forest area.

• Strive to gain a deeper understanding of the range of community objectives, values and priorities. We will reflect those perspectives in our management plans and activities and report back to the community on progress in this regard.

• Incorporate the ability for others to use and enjoy the Community Forest area in an integrated manner.

• Provide recreational opportunities, sustain environmental values, and economic benefit to local forest sector participants, the Fort Nelson First Nation and the Northern Rockies Regional Municipality.

• Coordinate planning and implementation of forest management activities in accordance with our management plan which will be updated on a regular periodic basis; all applicable provincial and federal legislation and regulations; and based on the best available science.

• Be a full participant in the management of the Community Forest area. We will be diligent in continually updating the community on activities within the Community Forest area as well as regularly seeking their input on strategic management direction for the CFA.

1 https://www.for.gov.bc.ca/hth/timber-tenures/community/objectives.htm
• Provide the local community members, First Nation and non-first nation alike, the ability to influence the management of the Community Forest and provide meaningful opportunities to participate in economic activities associated with the Community Forest.

5.12 Public Reporting
The Community Forest area will be managed to provide social, environmental and economic benefits to the local community. Given these management objectives it will be desirable to have our communities well-informed regarding the plans and activities associated with the Community Forest. We plan to hold an annual public meeting to facilitate the dissemination of information. In addition, members of the public interested in the activities of the Community Forest are free to attend NRRM Council meetings, where Community Forest-related matters are on the agenda. Other communication tools such as newsletters, flyers and a webpage will be evaluated for use as the Community Forest begins operations.

6 Community Awareness and Support
The CFA Partners have invited the community to participate in the Community Forest (COMFOR) discussions two public forum events which were advertised in the local newspaper and the FNFN newsletter.

The NRRM and the FNFN both have endorsed the COMFOR by resolution of their respective Councils. (see Attachment x).

On March 17, 2017, then Minister Thomson offered up to 185,000m3/yr. to the Partners DOV in their efforts to acquire a CFA. In January 2018, the Partners determined they would like to include some BCTS pricing unit areas with the CFA resulting in the need for a volume reservation for BCTS.

On October 19th, 2017, the Partners hosted a public consultation meeting where information on the Community Forest program, the Fort Nelson Community Forest initiative was provided. This was followed by an extensive question and answer period. (See Attachment x, Fort Nelson Community Forest Forum ad). The event was advertised in the Alaska Highway News newspaper on October 11th and 18th, 2017. In addition, a second public consultation meeting was conducted on May 17th, 2018 and was advertised in the Alaska Highway News on May 9th and May 16th, 2018 (see Attachment xx)

6.1 Letters of Support
In this section we will describe the letters of support we hope to receive from local community governments, key organizations, the school district, etc.

6.2 Summary of Public Input Meetings
In this section a summary of the issues raised at both of the public meetings/forums.
6.3 Ongoing Public Involvement and Engagement

Our intent regarding ongoing public involvement and consultation has been described in various preceding sections of the management plan including Sections 5.10 and 5.12.

6.4 First Nations Engagement

Our intent regarding ongoing public involvement and consultation has been described in various preceding sections of the Management Plan including Sections 5.9, 5.10 and 5.11. The most recent consultation letters with stakeholders are included with this application (See Attachment x).

7 Administrative Authority and Structure

7.1 Governance Related Information

FNFN and NRRM have been invited by the Province to apply for a Community Forest Agreement (the “CFA”) in the Fort Nelson Timber Supply Area. The Partners have chosen a Limited Partnership model to structure their relationship in pursuing this opportunity and have negotiated the terms of that relationship. FNFN has decided that its affiliate FNFN Forestry Limited Partnership (“FNFLP”) will be the party that represents FNFN’s interest in the Partnership, while NRRM has decided to represent its own interests directly.

7.1.1 Mission of the Fort Nelson Community Forest

- To establish and provide local control of dedicated forest resources to encourage the local harvesting and processing of this vital resource;
- To provide for self-determination and economic diversity and stability for the Partner communities;
- To provide a broader perspective on the forest industry in BC for our Partner communities; and
- To practice and model excellence in forestry stewardship of the local forest resource.

The terms of the CFA Limited Partnership between FNFN Forestry and NRRM have been incorporated into three key documents (the “Corporate Documents”):

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

**Purpose and Primary Features of the Corporate Documents**

1. **Limited Partnership Agreement:**

   Parties: CF Corp, NRRM, and FNFLP

   This Agreement governs the relationship between all three parties in their respective Partnership roles: the CF Corp as general partner, and FNFLP and NRRM as limited Partners.

   This Agreement sets out the key terms of the business relationship between FNFLP and NRRM, including how and when capital will be contributed, how and when distributions will be made, and the principles to be applied in operating the CFA.

2. **Shareholders Agreement:**

   Parties: CF Corp, NRRM, and FNFLP

   This Agreement governs the relationship between FNFLP and NRRM as shareholders in CF Corp and establishes specific governance guidelines for CF Corp, e.g. number of directors that each shareholder can appoint to the Board, the initial 50%/50% division of shares between FNFLP and NRRM, restrictions on the sale of shares.

   Section 3 of the Shareholders Agreement states that each of NRRM and FNFLP will appoint two (2) directors for a total Board consisting of four (4) directors. Quorum for meetings of the directors set at two (2), being at least one (1) director or their alternate comprising an equal number of nominees of each of FNFLP and NRRM. Quorum for shareholders meetings is all the shareholders.

   This Agreement also sets out the dispute resolution mechanism for FNFLP and NRRM in respect of any dispute between the directors of the CF Corp Board level, as well as any dispute between the Partners under the Limited Partnership Agreement.

3. **CF Corp Articles of Incorporation:**

   This document has been as part of the CF Corp’s incorporation application.

   The Articles set out some general rules for corporate governance and describe at a high level what kind of businesses the CF Corp can participate in and what the CF Corp powers will be.

   The Articles will be used by the directors of CF Corp as a starting point in developing the company’s governance policies and practices.

   The Articles can be amended by special resolution of the directors, except in respect of Article 27, which requires approval by the Inspector of Municipalities (discussed further below).
8 Business Plan

8.1 Introduction
The Northern Rockies Regional Municipality has a long history of supporting local mills involved with the BC forest industry, and in turn it has been supported by the municipal tax revenues collected from local businesses directly and indirectly associated with the forest industry. In addition, in the past members of the Fort Nelson First Nation have participated directly in the forest sector in various activities ranging from harvesting, hauling, milling and silviculture. As a consequence, over the years many of our respective council members have had direct dealings with the forest industry. We are aware of its cyclical nature and the local, provincial and international drivers that allow some forest companies to succeed, while others fail.

The BC Government’s Community Forest Initiative provides the Partners with the ability to actively engage in forest management activities that are occurring “in our back-yard”, to the extent where we can now exercise considerable influence on when, where and how these activities are conducted. The involvement of the communities and the opportunity it provides to partake directly in the development of objectives, values and priorities is augmented through the economic benefits that can be achieved through a sound business plan. Against this backdrop of opportunities, the Partners recognized early on that the success and failures of other Community Forests across the Province were also largely tied to the early on business relationship developed with the existing forest industry. It will be critical to the success of our Community Forest to determine the appropriate management model (i.e. Community Forest manager reporting to the Board of Directors vis-a-vis choosing an industrial partner) in order to weather the cyclical nature of the forest industry.

8.2 Business Concept
Management of a Community Forest can contain significant financial risk, in concert with substantial profit. Risk occurs when the costs associated with managing a Community Forest exceeds the revenues obtained from selling the goods or services that the Community Forest may generate. For example, cost and revenues could include:

8.2.1 Costs
- Manager’s salary
- Office administration, rental, overhead
- Development and submission of a management plan/business plan
- Pre-harvest cut block development
- Recreational trail development
- Annual government rent payments
- Forest stewardship plant development
- Cutting permit submission
- Timber supply analysis
- Forest Inventory updates
• Reforestation, growth surveys
• Fire preparedness plans
• Providing information and reports to the government

8.2.2 Potential Revenues

• Sale of logs and or cutting permits
• Trail use fees
• Non-timber forest products fees

While full management of a Community Forest by a Partnership could result in substantial net revenue and positive net income for the Partners, a depressed market-place could result in financial losses, sometimes for extended periods. Unfortunately, this has been the market condition case for the Fort Nelson TSA for approximately the past 10 years. In 2008 Canfor ceased harvesting operations in the TSA and shut down their Tackama Plywood Mill and PolarBoard OSB Mill. As a result, the local demand for both coniferous and deciduous fibre has been minimal. However, that situation could be on the cusp of significant change for the following reasons:

1) North American lumber prices have been trending upward since January 2017. April 2018 prices for Western SPF is $546 US/mfbm\(^6\). It appears demand in the United States is driving the high prices. Future expected US demand is uncertain however macro economic signals appear positive.

2) The Mountain Pine Beetle epidemic in the interior portions of British Columbia resulted in significant AAC increases to salvage the affected timber. Salvage operations in the interior are all but finished and the AAC’s of many management units are trending to levels 20% to 30% lower than pre MPB levels. This, along with strong with US demand for lumber, is anticipated to create a demand for coniferous sawlogs to feed existing milling infrastructure during this period of higher lumber prices. The Partners have received interest from forest companies outside the TSA in the possibility of purchasing coniferous sawlogs.

3) Given the current strength of the US housing market there is also strength in the prices for building panels including OSB. While the OSB Mill in Fort Nelson has been closed for approximately 10 years there have been proponents exploring the opportunities of future OSB manufacturing in Fort Nelson. It is uncertain as to the potential for the resumption of OSB production in Fort Nelson, however, should it occur there would be a ready local market for the deciduous fibre from the mixed forests of the Community Forest.

Some local demand for coniferous fibre currently exists and this could expand over time as more fibre is made available to local entrepreneurs.

There was considerable cost uncertainty relative to the initial up-front costs associated with and leading up to the development of this Management Plan and Business Plan. Many meetings with government representatives, analysis of Community Forest area options, office and field-based timber assessments, short and mid-term log supply forecasts, legal contract development all had costs imposed by forest

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\(^6\) Wood Markets, Monthly International Reports Highlights, April 2018, Vol. 23, Number 3.
consultants and lawyers to arrive at the juncture of this proposal. These costs have been shared equally by the Partners.

8.3 Financial Features

There are many financial features associated with the management of a Community Forest in the traditional sense. The Partners have dealt with and will continue to deal with these features through their established Partnership agreement and through the active marketing of their fibre through a diverse array of potential purchasers.

Although the final allowable annual cut for the Community Forest has yet to be set, a harvest of 185,000 cubic metres (with not more than 100,000 m$^3$ from coniferous leading stands) by the Partners and 32,650 m$^3$/year for BCTS is expected. Using these two numbers as indicators, revenue generated from the Community Forest for the Partners could range between $xxxx and $ xxx million depending on the markets for coniferous and deciduous fibre. Market risk is the biggest factor for the Community Forest to contend with.

9 Not For Public Disclosure – Detailed Business Plan

9.1 Disclosure Statement

9.2 Business Objectives

9.3 Product/Service Description

9.4 Industry Market Analysis and Strategy

9.5 Potential Risks and Pitfalls

9.6 Implementation Plan

9.7 Projected Financial Summary Statement

10 List of Attachments

A) Agreement Holder Legal Entity Information
B) Fort Nelson Proposed Community Forest; Sustainable Harvest Review
C) Updater Brochures (June and July 2015)
D) Fort Nelson Community Forest Public Consultation Ad (September 19, 2017 and May 9th and 16th, 2018)
E) Written Correspondence from Neighbouring First Nations Bands

F) Anticipated Letters of Support from:
   a. Northern Rockies Regional Municipality
   b. Fort Nelson First Nation
   c. Prophet River First Nation
   d. Peace River Regional District
   e. Fort Nelson Chamber of Commerce
   f. Canfor Corp Ltd.
   g. Local Cattlemen’s Association
   h. Local Recreation Association
   i. School District 81
   j. Local Snowmobilers
   k. Any pertinent industrial suppliers
   l. Industrial Forestry Service Ltd.
   m. Key local individuals

G) Results of Public Consultation Meetings of October 19th, 2017, and May 17th, 2018

H) Engagement Correspondence with FNFN trapline holders

I) Engagement Correspondence with non-FNFN trapline holders

J) Engagement Correspondence with the Prophet River First Nations

K) May xx, 2018 Letter from the District Manager

L) NRRM Resolution Approving Canfor Proposal submission

M) FNFN Band Council Resolution Approving Canfor Proposal submission

N) 1:50,000 Scale Map of the Proposed Community Forest