

# Preliminary Business Strategy

## 0.0 Preface

The PCFA application guidelines require a detailed business plan. We have been advised that only those communities that are formally invited by government to submit applications will be eligible, and that a period of time following the invitations will be allocated for creating the full application package, including the final business plan.

The following preliminary business strategy has been prepared for this pre-invitation submission to demonstrate to government the directions we are investigating, and to serve as a framework for proceeding with the final application requirements, should we be invited.

This preliminary document does not include financial projections and other calculations. These will be prepared for our final business plan. Our emphasis at this time is to develop the various issues and ideas that our investigations and discussions to date have generated.

## 1.0 Executive Summary

Upon receiving an invitation to apply for a PCFA, we will incorporate a Cooperative with an appropriate constitution, bylaws, board of directors and membership structure to manage the community forest in a functional, legal, and accountable manner. The details of the cooperative structure are described elsewhere in this submission (see section 3.2 below; “Management-Governance Structure”, and Section II above). For the purposes of this document, the PCFA applicant will be referred to as SIFCo (Slocan Valley Integral Forestry Cooperative).

As such, the PCFA management entity will be a new organization with no previous history or assets. However, the organizations that have brought this initiative forward are well established, have extensive histories, and are responsive and accountable to clearly defined constituencies. These organizations will form the core of the SIFCo directorship, and thus give it both authority and credibility. SIFCo will apply for a PCFA, and operate the PCFA as a prosperous business in a manner that has the approval, support, and involvement of the communities and residents within and adjacent to its operating area.

SIFCo is cognizant that it is entering a domain that is dynamic and challenging, but that also has the potential of sizeable rewards.

The current business climate in the forest industry is dominated by large corporate players with integrated operations. Most of their profitability exists in the milling of dimensional lumber and specialty building materials, and not in the narrow margins within the raw material market. Small players like PCFA’s need to be innovative and tenacious to succeed as a viable timber business. For SIFCo, the primary measurement of success is not simple profit margin. Its index of gain, in contrast to the corporate player, includes employment as a benefit rather than a cost. It will manage its land-base for

numerous objectives that provide important community benefits and are compatible with the goals of government.

A long held vision of a diversified rural economy that provides stable prosperity and a healthy context for human communities and nature to co-exist, is a persistent undercurrent among residents. The desire for locally conceived solutions and equitable balancing of forest values underlies much of the controversy over forestry that has characterized past decades. It now motivates us to seek our answer through the PCFA opportunity before us. Our challenge is to accomplish these overarching imperatives within the context of operating a successful business in a difficult and ever-changing financial environment.

The following business strategy addresses this challenge and sets forth the means by which SIFCo can succeed to realize its goals.

## **2.0 Mission Statement**

The mission statement of SIFCo is “to create and operate a financially sound community forest business that fosters community and ecological health”

The primary function of SIFCo will be the planning and management of forestry operations in the PFCA area and the operation of the related timber business. SIFCo will strive to achieve its’ mission by:

- developing a balanced and intelligent land use formula that maintains a healthy, functioning ecosystem,
- optimizing local economic benefits through consideration of diverse forest uses,
- prioritizing local employment for all aspects of its operations,
- ensuring inclusive and transparent public involvement,
- developing partnerships and collaboration with local organizations and businesses,
- retaining profits within the community for ecological restoration, community infrastructure, and local social programs.

SIFCo will conduct its forestry and business planning according to the objectives and implementation strategies as outlined by the SCFVI (see Section IV) and summarized by the points immediately above.

## **3.0 Management-Governance Structure**

In order to have a business where residents are invested and involved in a meaningful way, the Slocan Valley Community Forest Initiative will facilitate the incorporation of a cooperative that will operate according to the Cooperative Association Act of British Columbia.

The name of the legal cooperative will be the Slocan Valley Integral Forestry Cooperative (SIFCo). Further details of SIFCo’s organizational structure are in Section II.

## 4.0 Products/Services Description

The primary products that SIFCo will market will be timber harvested from the PCFA in the form of raw logs.

### 4.0.1 Small and Medium Diameter Logs

The standard forestry practice within the PCFA will be partial cutting, in order to realize our mission statement of fostering community and ecological health. Initial harvesting plans will focus on forest health, fire hazard reduction, wildlife habitat, bio-diversity, and water protection. This will generate mostly small and medium diameter logs. Subsequent harvesting passes will also provide large diameter logs. The diverse forests will generate a full range of valuable commercial species, including SPF, Douglas fir, larch, cedar, hemlock, and white pine.

### 4.0.2 Mountain Pine Beetle Salvage

There will likely be mountain pine beetle (MPB) salvage opportunities in the first few years of operations, assuming the current beetle outbreak continues. The local market for lodgepole pine from salvage operations appears to be stable despite recent increases in harvest volumes. Pine salvage is currently economically feasible, although market conditions and stumpage environment at the time will be the final determinant.



### 4.0.3 Deciduous Hardwoods

There is a sizeable potential for non-traditional species such as birch and aspen to supply specialty markets, along with craft trees for the growing artisans' market. A possible niche market is for spalted birch lumber. The logs are left green until a fungal organism begins decomposing the wood, then the logs are milled before the integrity of the wood deteriorates. The result is a highly figured, coloured wood grain that competes in beauty with exotic woods. Spalted birch is an excellent material for sculpting, bowl turning, cabinetry, and furniture due to its exotic appearance. It is extremely difficult to find in the marketplace, and if SIFCo can master efficient production, it will capture this niche market

opportunity. A relatively small market, such as one or two hardwood distributors, is sufficient to make this venture possible. SIFCo will map the deciduous hardwood stands and analyze the existing and potential markets to quantify this potential.

## **4.1 Non-Timber Forest Products**

Many non-timber forest products are present within the PCFA area forests, including edible mushrooms, medicinal plants, berries, foliage for the floral industry, cedar bark and willow stems for basketry, landscaping materials, and tree resins. Individual small businesses are better suited to harvest, process, and market these products than a community forest operation. SIFCo would make provisions for access to non-timber forest products wherever possible, and include conservation of these resources within the planning process. SIFCo will not be engaged directly in the harvesting or processing of non-timber forest products.

## **4.2 Forest Management Services to Landowners**

SIFCo will offer forest management services to private landowners adjacent to the PCFA. This may include partial cutting, fire protection, and marketing of the resulting logs. This would extend SIFCo's ability to apply its management objectives to the adjacent private lands, notably interface fire protection strategies, while generating additional revenue.

## **4.3 Log Sort Yard**

SIFCo will explore the possibility of operating a log sort yard. Ideally, a log sort yard would be established and run in partnership with the owner of the Slocan sawmill. Canfor may be selling the mill in the near future. Thus, this possibility, along with other partnership possibilities, will need to be explored with the new owners should the sale go through.

## **4.4 Value-Added Wood Products**

SIFCo will be first and foremost a timber harvesting and marketing business. However, to generate as much local employment and economic benefit from the PCFA as possible, and to increase local markets for its timber, SIFCo should play a role in facilitating growth and diversity of local value-added enterprises. An obvious means is to cater to existing local value-added businesses in terms of specialized harvesting. SIFCo would also explore ways of attracting value-added enterprises to locate in the valley.

Once the timber business is well established, and if analysis suggests it is financially viable, a business arm of SIFCo could be something of an "incubator company" for value-added small business. SIFCo could research, develop, and promote value-added products to facilitate the start up of new value-added enterprises. If analysis of the local value-added industry suggests a niche that is not being filled, then SIFCo could form a partnership, or help setup a small business to fill that niche. Such opportunities will be analyzed further for SIFCo's final business plan.

## **4.5 Marketing Cooperative**

A key to any business success is marketing. There are multitudes of existing markets for the types of products that could be produced in the Slocan Valley from local resources. With ingenuity and an eye for opportunity, new markets can be created.

SIFCo will collaborate with existing local businesses to open new opportunities through cooperative marketing. This may be the most promising option for SIFCo to realize its community development objectives, and at the same time, to augment its own profitability. The Slocan Valley has attracted creative people, from artists and artisans to multi-media designers and publishing firm operators. This community has the human resources to develop a successful collective marketing infrastructure. SIFCo intends to provide leadership for establishing cooperative marketing, thus helping to open new possibilities for local entrepreneurs.

The marketing cooperative will offer quality, competitive products, presented and promoted with creative flair. It will aim to tap into trends and emerging niches, and tie into existing and emerging marketing networks, such as Ebay, catalogues, and wholesale distributors.

A possible catalyst for this possibility is the 2010 Olympic Games in Vancouver. The large global audience for the games, the attention drawn to B.C.'s offerings, and the atmosphere of excitement creates an ideal marketing situation for emerging value-added production. Having a product line and marketing strategy organized in time for the 2010 Olympics would be incentive to step-up local value added cottage industries and a marketing cooperative.

## **4.6 Tourism and Outdoor Recreation**

There are numerous small businesses operating in the Slocan Valley that cater to tourists and outdoor recreation clientele, and a number of local organizations, ad-hoc groups, and residents that utilize the valley corridor and adjacent crown lands for various sport and leisure activities. In addition, the PCFA area is a critical part of the visual corridor for these enterprises, and the Slocan Valley is identified in the MOF Higher Level Plan as a "Major Scenic Corridor".

Tourism and outdoor recreation represent a significant and growing component of the local economy, and will be accommodated in SIFCo's management and business strategies. It is not anticipated that SIFCo will operate ventures in these industries directly, but will consult with and provide for the needs of the private operators and their organizations, and involve their representatives directly in the planning process.

In addition to businesses, there are existing local recreation uses of the PCFA lands. The recently upgraded Slocan Valley Heritage Trail runs parallel to the PCFA area. The existing forestry roads are utilized by hikers, cyclists, photographers, hunters and tourists for sightseeing and recreation. Maintaining visual quality and access to the PCFA lands for these purposes will be an objective of SIFCo, as will collaborating on new initiatives for trails and recreation sites that are supported by the local residents, businesses, and organizations.

SIFCo will endeavour to provide ecological and forestry perspectives in any investigation and decision-making processes regarding tourism and outdoor recreation initiatives to assist the community in making broadly informed choices.

## **4.7 Products/Services Summary; A 3-Tiered Strategy**

SIFCo is analyzing a 3-tiered strategy for its business plan:

- 1 Timber harvesting/ log sort yard/forest management services
- 2 Establish a value-added “incubator company” (see section 4.4). Product to be identified through market analysis.
- 3 Marketing Cooperative

Pending the results of market and cost/benefit analyses, SIFCo’s final business plan will be based on this concept.

## **5.0 Industry/Market Analysis and Strategy**

The present state of the timber industry in B.C. is characterized by the domination of large multinational integrated forest corporations, rising costs and fluctuating values, the softwood dispute with the U.S., complex regulatory requirements, and uncertainty due to the current tenure reallocation and stumpage reform programs. It is far from an ideal environment for small timber interests like PCFA’s to operate, and a somewhat intimidating field for a new player to enter.

While SIFCo is aware of the difficulties it faces in creating a successful enterprise, it is also keen to rise to these challenges, engage the situation with creative optimism, and become the very solution it seeks.

### **5.1 The Local Marketplace**

The major buyers for logs are Canfor in Slocan, Kalesnikoff Lumber in Thrums (sawmill and log sort yard), Pope and Talbot in Castlegar, and Kootenay Custom Log Sort yard in South Slocan. In addition, there are several minor buyers in the value added sector who have small milling operations or specialized product lines.

Our initial plan was to operate a log sort yard in partnership with Canfor, sell the majority of logs directly to existing sawmills, and provide logs to local value added operations wherever possible. The value added component was expected to increase over time as the industry grows and our responsiveness to it develops. With the sale of Canfor’s Slocan Division pending, and the fate of the sawmill in Slocan uncertain, we are now reviewing the situation with a fresh perspective.

Over the coming months, if we are invited to apply for a PCFA, we will approach the new owners of the Slocan sawmill (assuming the sale goes through), Kalesnikoff, Pope and Talbot, and Kootenay Innovative Wood Products to discuss the possibilities of providing logs for their operations, potential partnership arrangements, and the logistics

and financial considerations that these possibilities would entail. In addition, local value added companies will be approached to determine their wood requirements and the potential for SIFCo to provide for them.

The final business plan to be included with SIFCo's PCFA application will contain a detailed analysis of the local market and our strategy to engage with it.

## **5.2 Competition in the Local Marketplace**

There are a number of local woodlots, two large forest licensees, and BC Timber Sales operating in the Slocan Valley. In addition, there are landowners harvesting timber from their privately owned forests. There does not appear to be an immediate risk of local oversupply.

## **5.3 FSC Certification**

Forest Stewardship Council certification is an independent system of accrediting forestry operations with a "stamp of approval" to verify that the operations meet broadly accepted ecological and social standards. Business and forest management practices are audited for their compliance with principles and standards specific to the region where the operations are based. Certified operations are eligible for a growing market niche and possible price premium for their product.

Of all the certification bodies that exist, FSC is seen to have the highest standards and thus would fetch the highest or most certain premium. FSC certification would not restrict sales to the niche market – products could also be sold in the conventional market under the normal price regime. The management principles and protocols that SIFCo chooses to operate by would likely meet FSC standards.

However, FSC certification would need to be investigated further. Disadvantages are that the certification process is lengthy, costly, and would burden the SIFCo boards, committees, and staff with additional workload.

## **5.4 Specialized Ventures**

SIFCo's primary enterprise will be forest management and log sales. It is important that this remain the central focus for the first cut control period, in order that public involvement processes, relationships with other businesses, management plans, financing arrangements, staffing, and other essential business matters are established, and its forestry operations begin providing community benefits and positive cash flow.

Once it is up and running smoothly, SIFCo can then consider the initiation of subsidiary enterprises (see section 4.7; "Products/Services Summary"). The exact nature of the specialized ventures, the cost/benefit determination, the financing requirements, and the means of marketing will need to be analyzed and refined prior to committing to the additional operations.

The final business plan to be included with SIFCo's PCFA application will contain analysis of specialized ventures opportunities.

## **6.0 Potential Risks and Pitfalls**

The forces of nature, the economic realities, and the regulatory environment all present potential risks and pitfalls that SIFCo will need to be aware of and be prepared to address.

### **6.1 Environmental Risks**

The forces of nature can present unpredictable and sometimes catastrophic events that pose hazards to a PCFA. We have the ability to minimize most natural risks through precautionary approaches and diligent conduct. Some natural events are beyond the control of the human sphere, and are generally referred to as “acts of god”.

#### **6.1.1 Wildfire Hazard**

B.C. forest landscapes were once maintained by a complex regime of natural fire disturbance. However, in the context of our present human culture, and especially in the case of a PCFA, a widespread wildfire could be devastating. Given the increasing effects of climate change, the likelihood of a drying trend in this region, the known ignition hazards in the human-forest interface, and the current fuel-loading in our forests after decades of fire suppression, wildfire presents a real and significant risk.

SIFCo will manage this risk proactively in the following ways:

- partial cutting the interface area between private lands and wilderness within the PCFA area
- reducing ladder fuels and fuel loading
- assisting landowners to employ fire protection regimes on their forested properties

In this way, SIFCo operations can reduce the threat of ignition and also the spread and severity of fires should they occur.

In the event of a wildfire within the PCFA, SIFCo would salvage merchantable fire-killed timber on the timber harvesting area where appropriate, and revise its management plans to reflect the loss of timber volume and forest cover.

#### **6.1.2 Weather–Related Timber Losses**

Storms with high winds are relatively rare in the Slocan Valley, and the risk of significant timber loss from wind-throw is minimal. However, if impending climate change causes an increase in severe storms and winds, the risk of wind-throw may increase over time. Heavy snowfall and freezing rain can also cause damage to trees. Careful planning and execution of harvesting operations will minimize weather related risks. In the event that losses occur, SIFCo would salvage affected timber on the timber harvesting landbase where appropriate, and revise its management plan to reflect the loss of timber volume and forest cover.

#### **6.1.3 Forest Health Risks**

A number of forest health agents are endemic to the forests within the PCFA area. The SIFCo management principles view forest health agents as hazards, and its management plan will address them as such. Mountain pine beetle

outbreak is currently the most significant forest health issue. SIFCo's forest management plan and initial operations will prioritize harvesting of MPB affected stands. An inventory of lodgepole pine leading stands will be a first initiative.

The pine leading stands that are not affected by the current MPB outbreak can be partial cut to increase resistance to beetle attack. Mixed stands containing mature, susceptible lodgepole pine can be partial cut to remove the pine while retaining the other species.

In general, selective harvesting operations will target diseased and susceptible trees to help control other forest health hazards such as Douglas fir bark beetle, spruce budworm, and root diseases. In the event that large-scale outbreaks of any forest health agent occur, SIFCo would analyze the cost and benefit of salvaging affected timber and harvest accordingly. It would revise its management plan to reflect the loss of forest cover and timber volume.

#### **6.1.4 Mass Wasting**

The PCFA area contains a large component of steep, potentially unstable terrain. SIFCo will minimize the risk of mass wasting by centering operations on stable terrain, locating and maintaining roads cautiously, working with geotechnical professionals, and monitoring potentially hazardous areas, especially after severe rainstorms and spring runoff. A significant amount of existing roads will become SIFCo responsibility.

A primary objective in the initial years is to assess all roads to identify existing hazards. Initial harvesting operations will be focused in areas where the existing roads are in poor condition, so that these sections of road can be repaired or deactivated.

In the event that mass wasting occurs, SIFCo will assess the situation and apply remediation prescriptions to reduce further damage and restore ecological function. Should the incident require funding beyond SIFCo's means, funds will be sought from appropriate agencies or with special fundraising initiatives so that the remediation can be implemented in a timely manner.

#### **6.1.5 Damage to Wetlands, Streams and Springs**

A primary priority of SIFCo is the protection, monitoring, and restoration of water sources within the PCFA.

SIFCo will encourage and cooperate with local organizations to maintain and expand monitoring programs for major streams within the PCFA area.

Monitoring of stream-flows, sediment loading, and water quality on an ongoing basis will enhance early detection of disturbances that require investigation and possible restoration measures. The degree of sensitivity of each stream will gradually become apparent and will thus inform and revise plans and operations.

By conducting planning and operations consistent with our management objectives, SIFCo will minimize risk to waterways. SIFCo will also liaise with and include existing residents associations in its planning and management.

Should significant damage to water sources occur within the PCFA area, SIFCo will assess the situation, implement restoration programs, and revise its management plan to increase the degree of precaution in the area affected. Should the incident require funding beyond SIFCo's means, funds will be

sought from appropriate agencies or with special fundraising initiatives so that the remediation can be implemented in a timely manner.

## **6.2 Economic Risks**

A variety of economic factors pose financial risks to a PCFA, which SIFCo will need to mitigate. Financial risk can be minimized by:

- a cautious approach to financing, spending policies, and discretionary investments,
- diligent accounting practices,
- efficient operations and shrewd business management.

SIFCo will design its organization and business strategy to be innovative, resilient, and adaptive. Some specific examples of economic risks are described here, and will be further analyzed in the final business plan.

### **6.2.1 Economic Downturn**

The cyclical nature of economies poses financial challenges to businesses of all natures. Small businesses are generally vulnerable to downturns in the economy and must build in resiliency. SIFCo will manage the risks inherent in economic cycles in the following ways:

- time its operations to coincide with good market conditions,
- keep costs under control,
- apply cautious and creative financing strategies, partner with larger enterprises,
- pace investments and new ventures with times of significant surplus,
- create a sizeable reserve fund to help its business through difficult times.

### **6.2.2 Bad Debt**

SIFCo will assess the risk of bad debt and include an entry in its financial forecast to reflect and prepare for this risk. Careful management of accounts and credit checks on new customers will help to minimize losses due to bad debt.

### **6.2.3 Specialized Venture Failure**

Should SIFCo elect to broaden its business base with one or more enterprises beyond its base timber operations, there is a risk that the market analysis could be incorrect or the venture implementation be ill-timed or unworkable for unforeseen reasons. SIFCo will be diligent to investigate new ventures thoroughly, do low-cost trial production and pilot marketing, and be prudent with capital investments prior to engaging fully in a new venture.

### **6.2.4 Loss of Key Customer or Business Partner**

If a relationship that represents a significant part of SIFCo's cash flow fails, the financial ramifications could put SIFCo in jeopardy, especially if left with

sizeable debt or lack of alternatives as a result. To minimize this risk, SIFCo can keep its business portfolio diverse and resilient, ensure that major customers and business partners are financially sound and operate with integrity, continuously network and explore potential business opportunities and partnerships.

### **6.2.5 Delinquent Contractor**

A contractor may fail to perform adequately, causing unforeseen costs or interruptions to operations, in turn undermining profitability. SIFCo can minimize this risk by screening contractors thoroughly, monitoring their progress, identifying deviations from contracts early and requiring correction before payment, scrutinizing progress invoicing carefully to avoid pre-paying work not yet performed, writing contracts carefully to avoid loopholes, and tracking contractors' performance over time.

## **6.3 Regulatory Risks**

The timber industry in B.C. has evolved in recent decades towards greater concentration of ownership of tenure and milling, which is now predominantly corporate and multinational. The primary and legal imperative of these large companies is to return dividends to their shareholders. One of the ways that corporations work to increase profits is to minimize the purchase cost of raw materials. As a result, almost all of the profitability is now within the milling and specialized product manufacturing component. Little profit remains in the timber management and domestic raw log component.

B.C. forest legislation, policy and regulation has evolved as a means to facilitate corporate access to crown timber and enhance the corporate business climate, and at the same time, to steward the public resource and obtain a reasonable royalty for the sale of crown timber assets. Currently, the same regulatory regime and stumpage appraisal system is applied to both major integrated corporations and small operators, including PCFA's, even though the underlying business plans, policy and practices of the large and small operations have few similarities. PCFAs, in particular, have far more comprehensive objectives than return on shareholder investment, a more complex index of success than simple profit margin, more cost-benefit considerations and more accountability to their community.

Another aspect of the regulatory environment is that it is dynamic and unpredictable in the medium to long term, as governments change through electoral cycles, bureaucracies are restructured, and programs are terminated or revised. In fact, the very program that this submission is being prepared for is a massive reworking of provincial forest policy, which is introducing sweeping changes to legislation, regulations, tenure allocation, and stumpage appraisal.

SIFCo recognizes that the current reforms are intended to provide remediation, but nevertheless, many reforms are yet to be revealed, and this poses great uncertainty for the PCFA applicant. PCFA's merit separate regulations and stumpage rules which apply directly to their needs and financial realities.

### **6.3.1 Unique Considerations of SIFCo PCFA**

SIFCo's management objectives are formulated to build a viable business while balancing numerous ecological and social objectives. The partial cutting emphasis that SIFCo proposes is the only means of gaining wide community approval of forestry operations and thus resolving the long standing controversy regarding forest management in domestic watersheds. It is also the optimal way to manage for other community economic values such as tourism and non-timber forest products.

The principles and science that underly this proposal exceed the legislated requirements for ecological protection, and plan for more cautious operations and rigorous monitoring than common practice. Regulations specific to PCFA's and other small operators would seem to be a logical component of the regulatory reform program, and would likely reduce the level of risk to SIFCo's proposed operations.

### **6.3.2 Market Based Stumpage Rates**

The exact nature of impending changes to the stumpage appraisal system have yet to be publicized, and yet stumpage is a major factor in the financial considerations of a PCFA business strategy. In fact, it is difficult to quantify a financial forecast in the conventional sense without foreknowledge of the stumpage payment schedule. This presents what is perhaps the largest financial risk facing SIFCo.

The existing stumpage appraisal system uses provincial averages for operation costs. The averages are weighted to the cost structure of the major licensees who dominate the industry. Thus the stumpage may be based on a completely different set of costs than SIFCo will experience due to the marked difference in scale of operations, planning standards and operating practices.

We understand that the forthcoming appraisal system will use the average bid price for standing timber as based on awarded contracts to date with BCTS.

These bid prices are for conventional industrial logging systems. These prices do not reflect the higher costs entailed by logging practices and management standards that respect diverse economic and community values.

Clearly, the stumpage appraisal system as it exists now, and as it is anticipated to be, is inappropriate to assess SIFCo's stumpage payments. As part of the reforms underway, we hope to see a separate stumpage appraisal system that is relevant to and equitable toward PCFA's. This would assist SIFCo greatly in its efforts to develop a successful community forest business.

## **7.0 Financing**

SIFCo will require start-up funds and working capital to finance its operations in its initial years of operation. The financing package will likely be a combination of co-op member shares, private investments, government funding programs, Foundation grants, and conventional loans from lending institutions. Financing is a critical component of SIFCo's PCFA initiative, and will be further explored once a formal invitation to apply for a PCFA is received. Developing the final application will cost in the order of \$50,000 to \$100,000, for which we are currently investigating funding sources from local agencies and private sources.

The final application will include a thorough analysis of financing requirements and options for SIFCo's first 5 years of operation including projections of revenue and expenditures, financing sources and payment plan.

## **8.0 Human Resources**

The staffing requirements for SIFCo's operations will be identified and costed as part of the management and business plan analyses for the final application. A partial description of the staffing requirements is briefly outlined in Section II, item 6.0, "Key Personnel". Road building, harvesting, and silviculture operations will most likely be contracted, although a specialized harvesting crew may be hired directly and trained for non-conventional harvesting operations. Specialized professionals for hydrology, terrain stability, wildlife, and other analyses will be contracted. A wide range of professionals and forestry contractors reside in the Slocan Valley.

There may be aspects of SIFCo's operations that utilize volunteers. These will be detailed in the final application package.

## **9.0 Future Plans**

Below is an initial outline for SIFCo's future plans. The final business plan to be included in the application will contain further refinements and reference to the relevant aspects of the business and forest management objectives and plans.

### **9.1 Short Term Plans**

- 9.1.1** Formalize organizational aspects, financial structures, business infrastructure, and staffing.
- 9.1.2** Assemble existing data for the PCFA area from all available sources.
- 9.1.3** Analyze existing road system, field inspection of initial harvesting sites.
- 9.1.4** Develop specific access and harvesting plans, and obtain approval for initial operations.
- 9.1.5** Operations likely to be prioritized are:
  - 9.1.5.1** MPB timber salvage,
  - 9.1.5.2** harvesting in areas of deteriorated existing roads and then deactivating those sections,
  - 9.1.5.3** restoration of critical ecological hazards,
  - 9.1.5.4** wildfire hazard reduction,
  - 9.1.5.5** harvesting specific timber requirements for local value added orders wherever possible.
- 9.1.6** Liaise with 3<sup>rd</sup> party organizations to implement monitoring programs for major streams within the PCFA area.
- 9.1.7** Prioritize and possibly begin implementation of economic diversification and community collaboration initiatives described previously in this document (see sections 4.0 through 4.7, 5.2, and 5.3 above).

## **9.2 Medium Term Plans**

- 9.2.1** Endeavour to retire debt and accumulate sufficient cash reserves to buffer the business from the risks described above in section 6.
- 9.2.2** Conduct feasibility studies, and where deemed promising, develop specialized products and services thus identified.
- 9.2.3** Establish a monitoring and evaluation system both internally and also involving the broader local public, with the aim of continuously improving SIFCo's performance and maintaining public approval.
- 9.2.4** Network with other PCFA holders to exchange expertise for mutual benefit.
- 9.2.5** Participate in conventions and training programs as necessary, to stay informed of leading-edge knowledge.

## **9.3 Long Term Plans**

- 9.3.1** Determine the potential to broaden SIFCo's business base with new enterprises.
- 9.3.2** Introduce specialized products and services that are deemed profitable and desirable.
- 9.3.3** Implement training programs for youth and under-employed.
- 9.3.4** Creative means of invigorating the local economy or other aspects community well-being might be undertaken, such as a value-added business design and implementation program for youth & underemployed or agro-forestry projects.
- 9.3.5** Undertake wildlife habitat enhancement projects where appropriate.

## **10.0 Projected Financial Statement Summary**

In-depth financial analyses will be undertaken subsequent to a formal invitation to apply for a PCFA. The final business plan to be included with the application will provide, for each of the five years of operation under the term of the PCFA, the following:

### **10.1 Profit and Loss Forecast**

### **10.2 Cash Flow Forecast**

### **10.3 Balance Sheet Forecast**

### **10.4 Projected Capital Expenditure Budget**

### **10.5 Cooperative Assets**