

Forests for Tomorrow

2008/09 Annual Report
March 31, 2009

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1. Overview

PricewaterhouseCoopers (“PwC”) is pleased to submit our report covering the operations and administration of the Province’s Forests for Tomorrow Program (“FFT”) for the year end March 31, 2009.

In March, 2005 the BC government announced funding earmarked at addressing the long term timber supply in management units that have been heavily impacted by the mountain pine beetle (“MPB”) and/or wildfires. At that time, it was estimated that the FFT may run for 15 years, with a budget that would increase annually commencing in 2009/10 and decrease as free-growing forests are achieved.

In 2008/09, PwC administered \$25.9 million of provincial funds on behalf of the Ministry of Forests & Range (“MFR”). During the fiscal year, PwC approved 312 projects (\$24.6 million) for eligible FFT Recipients, including nine District Manager approved Section 108 eligible licensees. The majority of the funding allocation was expended on planting, survey and site preparation projects (over 80%), while other silviculture activities such as brushing were completed in the eligible management units identified by the MFR.

April and May 2009 have been busy for PwC as project completion summaries and audits of the 2008/09 projects have been the main focus of our staff. The performance and financial audit programs have been scheduled to occur from April to June and will be reported on at the completion of PwC’s administration of the FFT during the second quarter.

One of the keys to the success of the program administration has been the working relationships we have with government, industry and consultants. PwC will continue to work with the MFR and the Recipients during the first half of 2009/10 to ensure that there is an orderly transition of the program back to the MFR as part of our effort to assist in the FFT’s long-term success.

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2. Program Analysis

As of March 31, 2009 we have approved projects for \$25.3 million (including Section 108 payments) in the FFT program, representing 97% of the 2008/09 budget (\$25.9 million) allocated to eligible FFT Recipients. A summary of the number and value of program projects completed by the end of the fiscal year by Recipients under PwC's administration is shown in the following table.

Summary of FFT Completed Projects as of March 31, 2009

Component	#	\$
Information Gathering and Management		33,542
Stand Establishment and Treatment	242	23,384,938
Strategic Resource Planning	26	457,557
Infrastructure	14	276,689
Training and Meetings	16	277,638
Stand Maintenance	4	123,988
Section 108 Payments	9	404,888
Cone Collection	1	310,000
Total Approved	312	\$25,269,240
FFT Allocation Under Investment Schedules	N/A	\$25,886,341

The summary of those Recipients involved in the 2008/09 FFT can be found in Appendix 1. As can be seen above, based on PwC's discussions with the MFR, PwC was directed to pay District Manager approved Section 108 claims related to wildfire as well as cone collection to retrieve seeds for future sowing obligations. It is expected that these activities will continue in future fiscal years at the discretion of the MFR.

The majority of projects approved under FFT during 2008/09 were focused on the Stand Establishment and Treatment component (93%). Under this component, surveys, site preparation, and planting, especially in Mountain Pine Beetle and other pest infected stands in the Southern Interior Forest Region ("SIFR"), made up over 80% over the 2008/09 funding. SIFR Recipients spent nearly 39% of their funding on survey projects aimed at identifying future areas requiring planting under the FFT

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program. SIFR Recipients also spent approximately \$5.1 million on planting (26% of their allocation) and \$2.8 million (14%) on site preparation work during the fiscal year. In the Northern Interior Forest Region (“NIFR”), Recipients continued to ramp up their activities during 2008/09 and expended nearly 45% of their funding on survey projects. NIFR Recipients also spent approximately \$1.8 million on planting (34% of their allocation) and \$0.6 million (11%) on site preparation work during the fiscal year. A summary of the projects completed by region is shown in Appendix 2.

3. Administrative Analysis

Financial Statements

As of March 31, 2009, \$24.6 million (March 31, 2008, \$12.1 million) of the FFT funding has been distributed to Recipients and \$0.7 million has been distributed to Section 108 licensees and to the SIFR for the cone collection project.

Auditing

Leveraging our past experience, PwC’s planned audits for the FFT will be completed in a manner to ensure that these audits are carried out efficiently and effectively. Planning for the 2008/09 performance audits commenced in the third quarter and auditing (both financial and performance) is scheduled to take place during April to June, 2009. PwC has contacted the Recipients that will be audited during the fourth quarter and anticipates that the audit reports will be completed by the end of June, 2009.

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4. 2009/10 Administrator Objectives

The following is a summary of objectives that PwC has established during the transition of the FFT to the MFR for the upcoming 2009/10 fiscal year:

PwC will continue to work with the MFR Forest Practices Branch to ensure that Recipients are using the available funds to complete the priority areas determined by the MFR as specified in the transition document between PwC and the MFR.

PwC will continue to work closely with the Recipients and monitor project progress (in the office) to enable PwC to detect any issues early on so Recipients are working effectively and efficiently to meet the FFT objectives.

The 2008/09 financial and performance audits will be completed by the end of the first quarter in 2009/10. PwC will forward complete audit reports to the MFR as these reports become available.

PwC will work closely with the Recipients and the MFR at all levels in an effort to ensure a smooth transition of the FFT back to the MFR by the second quarter of 2009/10.

In closing, PwC would like to extend its appreciation to the MFR and Recipients for the working relationships and cooperation received over the past four plus years of our administration and delivery. The FFT program continues to grow and its success is built upon the relationships and spirit that have grown over that time.

Appendix 1

Forests for Tomorrow Allocation by Region and Management Unit 2008/09

<i>Management Unit</i>	<i>Location</i>	<i>Investment Schedule #</i>	<i>Recipient</i>	<i>Expenditure</i>
Northern Interior Forest Region				
Provincial Funding				
TSA 03	Bulkley	NOTSA031076	Forsite	\$47,182
TSA 14	Lakes	NOTSA141078 NOTSA142855	Forsite Tweedsmuir	\$1,000,549 \$45,444
TSA 16	Mackenzie	NOTSA161081	Industrial Forest Service Ltd	\$54,375
TSA 20	Morice	NOTSA201077 NOTSA202856	Forsite Tweedsmuir	\$230,972 \$35,979
TSA 24	Prince George	NOTSA241075 NOTSA242825 NOTSA241080	Erafor Canadian Forest Products Pope and Talbot	\$1,638,795 \$761,327 \$1,339,963
TSA 41	Dawson Creek	NOTSA411082	Industrial Forest Service Ltd	\$44,840
TFL 30	Sinclair	NOTFL302826	Canadian Forest Products	\$156,354
				\$5,355,779
Southern Interior Forest Region				
Provincial Funding				
TSA 01	Arrow	SOTS A013096	True Blue Ventures	\$358,581
TSA 02	Boundary	SOTS A023095	True Blue Ventures	\$118,235
TSA 05	Cranbrook	SOTS A053091	Arbourtech	\$2,005,830
TSA 09	Invermere	SOTS A093092	Arbourtech	\$404,153
TSA 11	Kamloops	SOTS A113085	Forsite	\$3,496,228
TSA 13	Kootenay Lake	SOTS A133094	True Blue Ventures	\$1,691,448
TSA 15	Lillooet	SOTS A153087	Forsite	\$945,399
TSA 18	Merritt	SOTS A183086	Forsite	\$1,935,934
TSA 22	Okanagan	SOTS A223093	Okanagan Nations Alliance	\$1,714,831
TSA 23	100 Mile House	SOTS A233090	B.A. Blackwell	\$616,607
TSA 26	Quesnel	SOTS A263088	B.A. Blackwell	\$2,359,125
TSA 29	Williams Lake	SOTS A293089 SOTS A294986	B.A. Blackwell Alkali Community Forest	\$2,068,745 \$42,418
TFL 18	Clearwater	SOTFL184990	Canadian Forest Products	\$836,038
TFL 23	Arrow Lakes	SOTFL235064	International Forest Products	\$188,323
TFL 35	Jamieson Creek	SOTFL354987	Weyerhaeuser Company Ltd	\$26,194
TFL 49	Okanagan	SOTFL494989	Tolko Industries Ltd	\$243,240
TFL 52	Bowron-Cottonwood	SOTFL524988	West Fraser Mills Ltd	\$99,100
TFL 55	Selkirk	SOTFL555032	Lousiana Pacific Canada	\$48,143
				\$19,198,573
2008/09 Provincial FFT Expenditure				\$24,554,352
FRPA Section 108 Payments				\$404,888
Cone Collection				\$310,000
2008/09 Provincial FFT Budget				\$25,886,341

Appendix 2

Summary of Total Projects & Dollars for each FFT Component & Activity By Region

ACTIVITY	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$
	#	\$	#	\$		
Adaptive Management	1	\$33,541.88	0	\$0.00	1	\$33,541.88
Information Gathering and Management - Research +	1	\$33,541.88	0	\$0.00	1	\$33,541.88
Access Management Planning	2	\$6,094.14	8	\$229,166.79	10	\$235,260.93
Road Reactivation/Deactivation	2	\$19,191.67	2	\$22,236.19	4	\$41,427.86
Infrastructure - Roads	4	\$25,285.81	10	\$251,402.98	14	\$276,688.79
Overview Planning	3	\$43,398.18	0	\$0.00	3	\$43,398.18
Planting	2	\$46,889.37	1	\$4,134.46	3	\$51,023.83
Site Preparation	1	\$56,887.87	0	\$0.00	1	\$56,887.87
Surveys	13	\$912,062.25	6	\$218,303.56	19	\$1,130,365.81
Stand Establishment and Treatment - Backlog Reforestation	19	\$1,059,237.67	7	\$222,438.02	26	\$1,281,675.69
Brushing	0	\$0.00	2	\$56,867.24	2	\$56,867.24
Planting	0	\$0.00	5	\$237,130.46	5	\$237,130.46
Site Preparation	0	\$0.00	3	\$712,014.21	3	\$712,014.21
Surveys	0	\$0.00	9	\$232,946.20	9	\$232,946.20
Stand Establishment and Treatment - Current Fire and Pest Reforestation	0	\$0.00	19	\$1,238,958.10	19	\$1,238,958.10
Cone Collection	0	\$0.00	2	\$57,789.22	2	\$57,789.22
Stand Establishment and Treatment - Enhancement	0	\$0.00	2	\$57,789.22	2	\$57,789.22
Brushing	1	\$62,701.59	0	\$0.00	1	\$62,701.59
File Review	0	\$0.00	10	\$493,319.72	10	\$493,319.72
Surveys	1	\$32,467.93	12	\$1,185,388.89	13	\$1,217,856.82
Stand Establishment and Treatment - Impeded Stands	2	\$95,169.52	22	\$1,678,708.61	24	\$1,773,878.13
Brushing	0	\$0.00	6	\$259,305.34	6	\$259,305.34
Danger Tree Assessment/Felling	1	\$6,694.35	5	\$420,522.70	6	\$427,217.05
Overview Planning	5	\$146,052.68	9	\$626,633.46	14	\$772,686.14
Planting	4	\$454,676.32	18	\$2,134,077.91	22	\$2,588,754.23
Seedling Management	1	\$1,358.14	6	\$33,756.06	7	\$35,114.20
Site Preparation	7	\$1,747,492.04	13	\$2,055,144.46	20	\$3,802,636.50
Surveys	9	\$1,150,577.10	31	\$3,752,709.10	40	\$4,903,286.20
Stand Establishment and Treatment - MPB and Other Pests	27	\$3,506,850.63	88	\$9,282,149.03	115	\$12,788,999.66
Overview Planning	1	\$3,907.03	0	\$0.00	1	\$3,907.03
Planting	0	\$0.00	2	\$45,406.26	2	\$45,406.26
Surveys	0	\$0.00	1	\$3,745.71	1	\$3,745.71
Stand Establishment and Treatment - Salvage Stands	1	\$3,907.03	3	\$49,151.97	4	\$53,059.00
Spacing	0	\$0.00	1	\$16,221.61	1	\$16,221.61
Surveys	0	\$0.00	1	\$9,972.71	1	\$9,972.71
Stand Establishment and Treatment - Stand Treatments to meet Timber	0	\$0.00	2	\$26,194.31	2	\$26,194.31
Brushing	0	\$0.00	1	\$90,326.52	1	\$90,326.52
Danger Tree Assessment/Felling	0	\$0.00	6	\$1,043,418.25	6	\$1,043,418.25
Overview Planning	2	\$12,424.35	3	\$56,028.69	5	\$68,453.04
Planting	1	\$59,442.67	16	\$2,663,016.97	17	\$2,722,459.64
Site Preparation	0	\$0.00	1	\$8,778.50	1	\$8,778.50
Surveys	3	\$308,590.26	17	\$1,922,357.59	20	\$2,230,947.85
Stand Establishment and Treatment - Wild Fire Areas	6	\$380,457.28	44	\$5,783,926.52	50	\$6,164,383.80
Brushing	0	\$0.00	1	\$39,888.52	1	\$39,888.52
Surveys (RG/FG)	0	\$0.00	3	\$84,099.14	3	\$84,099.14
Stand Maintenance (Areas previously treated by FFT)	0	\$0.00	4	\$123,987.66	4	\$123,987.66
Silviculture Strategies	3	\$94,123.40	0	\$0.00	3	\$94,123.40
Strategic Resource Planning - Developing Management Unit or	3	\$94,123.40	0	\$0.00	3	\$94,123.40
Results (MFR) +	0	\$0.00	1	\$41,912.10	1	\$41,912.10
Strategic Resource Planning - Program Development +	0	\$0.00	1	\$41,912.10	1	\$41,912.10
Work Plan Preparation	6	\$93,136.15	16	\$228,385.97	22	\$321,522.12
Strategic Resource Planning - Work Plan Development	6	\$93,136.15	16	\$228,385.97	22	\$321,522.12
First Nations Capacity Building	1	\$12,189.71	3	\$40,006.72	4	\$52,196.43
Training Needs Assessment, Training Strategy Development and Course Development	5	\$51,879.84	7	\$173,561.94	12	\$225,441.78
Training - Training and Meetings	6	\$64,069.55	10	\$213,568.66	16	\$277,638.21
Grand Total	75	\$5,355,778.92	228	\$19,198,573.15	303	\$24,554,352.07