

Forests for Tomorrow

Quarterly Report
September 30, 2007

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1. Overview

We are pleased to submit our report covering the operations and administration of the Province's Forests for Tomorrow Program ("FFT") for the second quarter ending September 30, 2007.

The Forests for Tomorrow program was set up to respond to the catastrophic wildfires and the mountain pine beetle ("MPB") epidemic. The program was introduced by government in 2005 with an initial amount of \$161 million being allocated towards this program over four years.

The program is aimed at improving the future timber supply and addressing risks to other forest values through the re-establishment of young forests on land that would otherwise remain under-productive. The program focuses on land that is primarily within the timber harvesting land base yet outside of forest industry obligations.

In 2007/08, PricewaterhouseCoopers ("PwC") will administer \$13.3 million on behalf of the Ministry of Forests & Range ("MFR"). The second quarter of the fiscal 2007 has seen a steady submission of project plans by Recipients. Overall, PwC's investment team has received project plans representing over 64% of the budget and approved 85 projects.

As of quarter end, PwC has concluded the financial and performance audit program for the 2006/07 FFT program and forwarded these to the MFR and Recipients during the second quarter.

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2. 2007/08 Year-to-Date Synopsis

As of September 30, 2007 we have approved 85 project plans for \$8.5 million in the FFT investment schedules (September 30, 2006 – 37 projects/\$4.6 million), representing approximately 64% of the FFT budget (\$13.3 million) allocated to eligible FFT Recipients.

A summary of the number and value of program projects submitted by Recipients at the end of the second quarter is found in the following table.

Summary of FFT Submitted Projects as of September 30, 2007

Activity Area	#	\$
Brushing	3	122,591
Danger Tree Assessment and Work	8	901,714
Environmental Maintenance on Roads	6	206,596
Planting	35	5,495,891
Silviculture Strategies	1	6,500
Site Preparation	3	348,548
Work Plan Development	6	60,456
Surveys	23	1,372,983
Total Submitted	85	\$8,515,279
FFT Allocation Under Investment Schedules*		\$13,325,448

* Includes Provincial and Federal Funding

As shown in the table above, the majority of project funding to-date under FFT has been focused on the planting activity area, accounting for almost 65% of the funding approvals by PwC.

The summary of those Recipients involved in the 2007/08 FFT can be found in Appendix 1.

The following is a summary of the 2007/08 highlights year to-date, including any issues that have arisen:

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- The FFT allocation for 2007/08 includes two funding sources: i) Provincial funding of approximately \$10.3 million and Federal funding under the “*Mountain Pine Beetle Emergency Response – Canada-B.C. Implementation Strategy*” of nearly \$3.4 million. The majority of the work under the Federal funding is survey-related work that is anticipated to ramp up in the third quarter.
- The majority of the planting work has been completed and PwC is currently awaiting the submission of project completions in PINES to finalize the expenditure under this year’s program. There have been some concerns with the timely submission of these reports to PwC and thus, we are taking steps to ensure the remaining completion reports are finished in the short term.
- PwC has worked closely with the MFR and Recipients to complete a number of field monitoring visits and audits by the end of the second quarter. A number of issues were identified and rectified in a timely matter to ensure the goals/objectives of FFT were understood and met.
- PwC has worked with the MFR Forest Practices Branch in focusing on the utilization of 2007/08 funds to ensure that Recipients are using the available funds to complete the priority areas determined by the MFR. When necessary, funds have been re-directed between management units and Recipients to maximize the work that needs to be completed.
- Based on our administration agreement with the MFR, PwC has already commenced the auditing of the 2007/08 fiscal year, focusing on the completed planting projects. PwC’s planned audits for the remainder of the fiscal year will focus on the review of survey projects during the third quarter, followed by further auditing (both financial and performance) of projects during April to June, 2008.

Appendix 1

Forests for Tomorrow Allocation by Region and Management Unit 2007/08

Management Unit	Location	Investment Schedule	Recipient	Allocation
Northern Interior Forest Region				
TSA 14	Lakes	NOTSA141054	Forests for Tomorrow Forsite	246,000.00
		NOTSA141051	Fed FFT Forsite	413,470.00
TSA 20	Morice	NOTSA201052	Fed FFT Forsite	68,500.00
TSA 24	Prince George	NOTSA242714	Forests for Tomorrow Canfor	450,000.00
		NOTSA242726	Fed FFT Canfor	195,000.00
		NOTSA241055	Fed FFT Pope & Talbot	70,000.00
Total for Region				1,442,970.00
Southern Interior Forest Region				
TSA 01	Arrow	SOTS013060	Forests for Tomorrow Leasing	9,635.00
		SOTS013071	Fed FFT Leasing	25,000.00
TSA 05	Cranbrook	SOTS053058	Forests for Tomorrow Arbourtech	2,301,865.00
		SOTS053069	Fed FFT Arbourtech	125,000.00
TSA 09	Invermere	SOTS093057	Forests for Tomorrow Arbourtech	267,481.00
		SOTS093068	Fed FFT Arbourtech	61,200.00
TSA 11	Kamloops	SOTS113051	Forests for Tomorrow Forsite	895,050.00
		SOTS113052	Forests for Tomorrow Timberline	1,360,841.10
		SOTS113066	Fed FFT Forsite	558,133.00
TSA 13	Kootenay Lake	SOTS133056	Forests for Tomorrow Leasing	1,153,173.00
		SOTS133067	Fed FFT Leasing	140,693.00
TSA 15	Lillooet	SOTS153070	Forests for Tomorrow Forsite	53,000.00
		SOTS153055	Forests for Tomorrow Timberline	0.00
		SOTS153076	Fed FFT Forsite	50,000.00
TSA 18	Merritt	SOTS183061	Forests for Tomorrow Forsite	220,000.00
		SOTS183053	Forests for Tomorrow Timberline	441,500.00
		SOTS183075	Fed FFT Forsite	500,000.00
TSA 22	Okanagan	SOTS223059	Forests for Tomorrow Forsite	140,000.00
		SOTS223054	Forests for Tomorrow Timberline	752,706.90
		SOTS224824	Forests for Tomorrow Weyerhaeuser	95,000.00
		SOTS224841	Forests for Tomorrow LP	124,750.00
		SOTS223074	Fed FFT Okanagan Nation	267,450.00
		SOTS224851	Fed FFT Weyerhaeuser	25,000.00
TSA 23	100 Mile House	SOTS233073	Fed FFT Blackwell	200,000.00
TSA 26	Quesnel	SOTS263063	Forests for Tomorrow Blackwell	900,000.00
		SOTS263065	Fed FFT Blackwell	200,000.00
TSA 29	Williams Lake	SOTS293062	Forests for Tomorrow Blackwell	452,000.00
		SOTS293064	Fed FFT Blackwell	200,000.00
		SOTS294852	Fed FFT Alkali	50,000.00
TFL 18	Vavenby	SOTFL184849	Fed FFT Canfor	45,000.00
TFL 23	Nakusp	SOTFL234826	Forests for Tomorrow Pope & Talbot	58,000.00
TFL 35	Jamieson Creek	SOTFL354825	Forests for Tomorrow Weyerhaeuser	51,500.00
		SOTFL354850	Fed FFT Weyerhaeuser	58,500.00
TFL 49	Okanagan	SOTFL494846	Fed FFT Tolko	25,000.00
TFL 52	Bowron	SOTFL524842	Fed FFT West Fraser	25,000.00
Total for Region				11,832,478.00