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# Business Roadmap for Value-Added Forest Products

CORTES COMMUNITY FOREST COOPERATIVE  
OLIVER SCHOLFIELD & RAMI ROTHKOP



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## Special Acknowledgment & Thanks

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For questions about CCFC or this project, please visit the CCFC website at [cortescommunityforestcoop.org](http://cortescommunityforestcoop.org), or contact us by email at [directors@cortescommunityforestcoop.org](mailto:directors@cortescommunityforestcoop.org).



## 1.0 Introduction

### 1.1 Overview

In July 2022, the Cortes Community Forest Cooperative (CCFC or “Co-op”) reached out to Rami Rothkop to express their interest in developing a business roadmap for developing the production of value-added forest products (otherwise referred to as value-added wood products) on Cortes Island. Investment into this business roadmap comes following numerous efforts by the Co-op to encourage local value-added manufacturing through events to engage with and educate local woodworkers. These events included *Wood at Work* and *Making it on Cortes*.

Furthermore, advancement of the value-added wood product industry on Cortes has been included in multiple reports over the past decade, including the 2018 Local Area Action Plan (LEAP), the 2012 Cortes Island Official Community Plan (OCP) and Cortes Forestry General Partnership’s (CFGP or “Partnership”) 2019 Community Forest Management Objectives. All these documents highlight the need for a healthy value-added forest products industry, as well as community support for its growth and expansion through investment, business support and planning.

Additionally, it is imperative to note the importance of the relationship between all parties relevant to the Community Forest. The tenure of the Community Forest is approximately 3,800 hectares and covers roughly 30% of the Cortes Island land base. It is held by the Partnership, which represents both the Klahoose First Nation and the non-indigenous Co-op members. The Co-op operates on the traditional territories of the Klahoose, Homalco, Tla’amin and Wei Wai Kum peoples. The distribution of profits from the Partnership are 50% to CCFC and 50% to Klahoose First Nation to be used independently by the two partner organizations.

### 1.2 Purpose of this Report

This report is intended to provide a summary of the findings from the project as executed by two consultants, Rami Rothkop and Oliver Scholfield. The consultants were hired by the Co-op to help chart a course towards maximizing Cortes Island’s unique value-added business potential and unlocking the business opportunities that present themselves along the way.

The project involved a comprehensive review of the existing value-added sector on Cortes. In addition, a cursory evaluation was undertaken looking at current and future log inventory to determine whether timber supply in the Community Forest could potentially constrain the success of this venture. A review of successful value-added models in other places was also completed to evaluate similarities and differences in those best practices and the Cortes forestry sector, including the Harrop Procter Community Forest Cooperative, with which Rami was integral in establishing. Learnings from a workshop event on Cortes Island with a diverse group of community members were used to identify a number of factors outlined above, along with conversations with industry professionals on the Island, Co-op Board members and members of the Klahoose First Nation.

The culmination of all learnings from community consultations, external research and prior experience led to the development of various scenarios that were identified as potential opportunities for the value-added forest products sector to grow. While there is a certain amount of analysis for each opportunity, it is important to recognize that it is too high-level to be used as a formal business plan<sup>1</sup>. The purpose of this report is to provide an overview of several possible opportunities that should be considered, as well as any major barriers to each, for the Co-op and relevant wood processing operations on Cortes, to evaluate and consider based on their own capacity and priorities. For any of the opportunities to be explored, it is advisable for a more detailed business plan to be conducted.

Furthermore, all scenarios presented in this report, unless specifically stated, are designed in such a way for either the Co-op or a separate entity or private individual to follow. The Co-op is well positioned to contribute to any of these scenarios, but if there is little motivation within members of the Board to champion these efforts then it is appropriate for others to be able to step in. In addition, by structuring the scenarios this way it also helps to create a platform for other entrepreneurs to launch from.

### 1.3 Value-Added Definition

For the purposes of this report, value-added wood products are defined as consisting of items that are remanufactured into products that become of higher value through further processing. The goal is the production of a range of products including panelling, siding, flooring, decking, small home packages and toys, as well as any other product ideas that come from local woodworkers who collectively add value to Community Forest logs and lumber.

### 1.4 Business Roadmap

As with any major decision, there are many factors at play and many variables that can affect the outcomes. When considering the value-added wood product industry on Cortes Island, it became apparent that there are various opportunities for success, each with unique potentials and barriers. Therefore, when envisioning the business roadmap element, the various scenarios were considered as metaphorical roads on a map, all starting at the same place and arriving at the same destination. This destination is the same as the overall goal of the Co-op in this sense, which is to produce more wood products on Cortes, using wood from the Community Forest.

To best represent this vision, the various scenarios were separated into *Highways* and *Sideroads*. The four main scenarios are considered *Highways* as they have the greatest chance of financial success and productivity on the island. Additional opportunities are considered *Sideroads* as they have the potential to contribute to value-added processing on Cortes but are largely dependent on the success of the *Highways* and will have less contribution as standalone options.

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<sup>1</sup> For access to the full analysis for each opportunity, see the accompanying spreadsheet, "Cortes Value-Added Forest Products Forecast Model"

## 2.0 Current Landscape

### 2.1 Forestry Industry on Cortes

The Community Forest has the only public forest land tenure on Cortes Island. It contains a stable and predictable supply of high-quality Douglas fir, cedar and hemlock in sufficient quality and quantity to confidently build a value-added wood product business around. The Douglas fir trees are of particularly high quality, embodying the characteristics that are much desired by builders and woodworkers for everything from timbers for timber framing to kiln-dried and moulded products such as panelling and siding.

### 2.2 Attitude Toward Value-Added Wood Products

As mentioned previously, there seems to be a very positive attitude towards value-added wood products and the growth of this sector on Cortes Island. The identification of investment and growth of this industry in numerous reports demonstrates its potential, while the efforts of volunteer-run organizations express just how much forestry means to members of the community.

Additionally, the Partnership recently created a Community Forest brand and logo (Figure 1), which is intended to support entrepreneurs marketing their Community Forest wood products through a meaningful story of origin. The logo contains the traditional shape of a Klahoose canoe paddle, symbolizing that the ability to reach one's chosen destination is found within a tree. The three values also included in the Figure are "Reconcile, Sustain, Grow". These two facts further demonstrate the meaning that forestry and wood products have to the community.



*Figure 1: Cortes Island Community Forest Logo*

### 2.3 Milling Practices

There are currently several groups of people milling logs on Cortes already, with various levels of experience. Milling is a prerequisite to any further value being added to rough boards, and therefore Cortes mills need as much marketing and promotional support as possible to help ensure the future success of local value-added production. This section provides a snapshot of these main milling operations.

### 2.3.1 Ellingsen Woods

Aaron and Jeramie Ellingsen have owned and operated Ellingsen Woods since 2016 and grew to include value-added products in 2019. They own and operate a Mobile Dimension circle sawmill, a Logosol PH260 Planer/ Moulder, and a Nyle/Woodmizer L200 dehumidification kiln. The kiln can dry approximately 2,000 board feet per load. They purchase logs from the Community Forest, which they then mill into a range of products for Cortes customers, sometimes on a custom cut basis.

### 2.3.2 Ron Wolda

Ron Wolda has been milling wood on Cortes for many years. He operates a LT70 Woodmizer band sawmill accompanied by a Woodmizer Twinblade edger. He also operates a Nyle dry kiln capable of drying 4,000 board feet at a time. He purchases most of his logs from the Community Forest, as well as from other sources on Cortes. He has some inventory of rough boards in both cedar and fir, which he often sells to Cortes customers. He also mills custom timber and lumber orders to local and regional buyers.

### 2.3.3 Blue Jay Lake Farm

Henry Verschuur and his son, Elijah, operate a circle sawmill and provide rough cedar and fir to Cortes customers. They keep inventory of products often needed by Cortes customers, and mills on a custom basis to customer specifications.

### 2.3.4 Klahoose First Nation

The Klahoose First Nation also run a milling operation. It is presently managed by Kevin Peacey, who has successfully led previous Klahoose milling initiatives. The Klahoose own 3 mills, comprised of a small bandsaw, a Mobile Dimension circle saw, and a Lucas swing mill.

Having several milling option choices gives them the ability to increase production if needed by running several mills simultaneously. This configuration exemplifies a broad range of opportunities. For example, logs can be broken down into cant form quickly on the circle saw, and then transferred to the band saw for faster resawing. The Lucas swing mill is particularly good at breaking down oversized logs, given its much greater diameter capacity. This swing mill is required for Klahoose given their focus on large old growth trees from their Toba Inlet licence. They utilize a large telehandler for moving logs and lumber around the site and there are several different covered working spaces, including a large lumber storage building and a workshop where they build picnic tables for the retail market.

## 2.4 Cortes Community Economic Development Association (CCEDA)

The Cortes Community Economic Development Association (CCEDA) is a non-profit organization focused on the long-term prosperity of the Island. Due to the nature of this project, there is some inherent overlap between the growth of the value-added wood products industry and the mandate of CCEDA. It is therefore advisable to consider and grow the relationship between the Co-op and CCEDA to maximize the resources available to parties involved in any of the scenarios presented in this report and to avoid any duplication of support systems.

## 2.5 Cortes Community Investment Co-op (CCIC)

The Cortes Community Investment Co-op (CCIC) branched off CCEDA with the intention of raising capital to invest in community endeavours on Cortes. The purpose of the organization is to help build a better future on Cortes. While still in its early stages, there is further overlap between the goals of this project and CCIC. It is therefore advisable to consider and grow this relationship alongside that of CCEDA to enable local entrepreneurs to start value-added wood product ventures.

## 3.0 Current Limitations

### 3.1 Lack of Support for “Champions”

Like any business, growing a value-added wood products business takes a certain level of commitment and investment of both time and money. Although there has been a promising level of community support for initiatives to do this, it appears that something has been missing for a venture to really take off. This is likely due to several reasons, including motivation, capital, market trends, timing, and administrative support, to name a few.

It is of great importance to note that many of the scenarios in this report will require a commitment to the venture’s success. While the Co-op has expressed a lack of motivation within its members to do this at this time, it is possible that the outcomes of this report will create such motivation. However, it was assessed that a large part of the reason this topic has been discussed for several years with insufficient meaningful action is due to the fact that few people have stepped forward to champion the efforts.

With that being said, several people have attempted to advance the value-added sector. However, through conversations with the community, it is possible that there are a few key factors limiting their success. These include a certain lack of administrative capacity, a lack of support in market growth and business development, and most importantly, a lack of appropriately zoned land to expand operations. This last issue is also exaggerated by the onerous rezoning process that will be discussed below.

### 3.2 Zoning Requirements

#### 3.2.1 Suitable Zones

There is currently a severe lack of suitable land on Cortes that is appropriately zoned to allow for wood processing and business operations. As per the *Electoral Area ‘I’ (Cortes Island) Zoning Bylaw (#2455)*<sup>2</sup>, there are four Zones that permit resource processing, including wood processing. There are Community Land Stewardship One (CLS-1), Forestry One (F-1), Resource Commercial One (RC-1) and Industrial One (I-1). They all have various conditions for use that also limit the ability to start value-added processing operations, as outlined in the following sections.

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<sup>2</sup> [https://srd.ca/wp-content/uploads/2021/05/Bylaw-No.-380-Amendment-No.-30-to-Bylaw-No.-2455-Nov-4-2020\\_1.pdf](https://srd.ca/wp-content/uploads/2021/05/Bylaw-No.-380-Amendment-No.-30-to-Bylaw-No.-2455-Nov-4-2020_1.pdf)



#### 3.2.1.1 Community Land Stewardship One (CLS-1)

- Sawmills and wood processing permitted as accessory uses.
- Buildings and structures associated with wood processing can't exceed a total of 3% of lot coverage and must be at least 30m from all property lines.
- Retail sales areas must not exceed 200m<sup>2</sup>.
- Minimum lot size of 16 hectares (39.53 acres).

#### 3.2.1.2 Forestry One (F-1)

- Sawmills permitted on any lot 10 acres or larger.
- Wood processing permitted if it is accessory to forestry, silviculture and/or sawmill use.
- Buildings and structures associated with wood processing can't exceed a total of 1,000ft<sup>2</sup> of lot coverage, and must be at least 30m from all property lines.
- Minimum lot size of 40 hectares (98.84 acres).

#### 3.2.1.3 Resource Commercial One (RC-1)

- Wood processing permitted as a principal use.
- Parking, loading or outdoor storage areas must be at least 7.5m from any property line.
- Outdoor storage must be screened from any abutting property.
- Buildings and structures associated with wood processing can't exceed a total of 50% of lot coverage.
- Minimum lot size of 4 hectares (9.88 acres).

#### 3.2.1.4 Industrial One (I-1)

- Wood processing allowed as a principal use.
- Parking, loading or outdoor storage areas must be at least 7.5m from any property line.
- Outdoor storage must be screened from any abutting property.
- Buildings and structures associated with wood processing can't exceed a total of 40% of lot coverage.
- Minimum lot size of 4 hectares (9.88 acres).

### 3.2.2 Rezoning Process

To have a potential site rezoned so that it is suitable for operations, there is a somewhat onerous process that must be followed with the Strathcona Regional District (SRD). The simplest way is to apply for an *Amending Bylaw*, which follows the following steps:

- Submit application with written statement of intent.
- The SRD crafts a Zoning Bylaw Amendment.
- This is presented to a committee of the SRD Board.
- If approved, this is then presented to the entire SRD Board and taken to 1<sup>st</sup> and 2<sup>nd</sup> readings.
- If approved, a public hearing is organized to receive community feedback.
- If there are no major objections, the application is approved.

Another option is to propose a restructuring of the entire Zoning Bylaw, which could then consider community needs and rezone certain areas. This is a longer-term process that would require much back-and-forth and community support but would result in more land that is suitably zoned for wood processing with one application. Following the individual amendment process outlined above would require this same process for each potential location.

### 3.3 Island Isolation

As Cortes is a small island that is two ferries away from the larger market on Vancouver Island, there are inherent barriers associated with this that are well-known by members of the community but still need to be considered. These barriers include additional costs of transportation that must either be observed by the business or reflected in delivery charges to the customers. There is also limited walk-in traffic and a smaller immediate market for businesses to target.

To mitigate these risks, branding and marketing of Cortes wood products must be strong. Methods such as transporting goods on empty trucks returning to Vancouver Island can also potentially reduce transportation costs and create business relationships.

Finally, as a positive of the relative isolation, locals will often be inclined to choose Cortes products rather than those from off-island, both to support the local community and to save delivery fees.

### 3.4 Housing

One key barrier that was identified through numerous consultations was the lack of available and affordable housing on Cortes for skilled workers and the younger demographic. This is one of many factors that has led to an older labour market with fewer skills that are applicable to work in the value-added wood industry.

The building of 24 affordable housing units in the new Rainbow Ridge development is a step in the right direction to address this issue. The need for young and skilled labour for industries like value-added wood products should be used in future campaigns for affordable housing on Cortes.

## 4.0 General Themes

### 4.1 Industry Necessities

This section is intended to summarize what is needed for a value-added wood products operation to be viable in a general sense.

#### 4.1.1 Site Requirements

An ideal site for value-added operations will likely include the following:

- At least 3 to 5 acres in size.
  - o *Note: The Harrop Procter Forest Products' mill started on 2.5 acres and has now expanded to 4 acres.*

- Primarily flat and easily accessible for logging trucks and customers.
- Main road frontage or close proximity is preferable.
- Adjacent or close to 3 phase power access.
  - *Note: If 3 phase is not an option, single phase power can be adapted through the utilization of phase converters. While this is a viable solution that can work for many years, eventually the business could 'max out' on single phase power depending on how much equipment is added over time. For example, Harrop Procter Forest Products is now facing this issue, where bringing in 3 phase power comes at considerable cost, but the single phase-phase converter combo is fully maximized. Adding machinery like a more powerful moulder is not an option without the upgrade.*
- A location that is distant and completely out of earshot from residential areas, and from any known future residential development.
  - *Note: Audible sound tests by distance may be required to determine this.*
- Has buy-in from the larger community.
  - *Note: Meeting with neighbours as part of the development process is advisable, even if they are not that close to the potential site.*
- Trees that are tall enough to provide shade and therefore cooler working conditions for staff. This also protects lumber from sunlight and wind, minimizing damage.

#### 4.1.2 Buildings and Storage

It is preferable to have as many products as possible stored under permanent structures to protect from damage caused by inclement weather. This is so true that at the Harrop Procter mill, it is often said that there are never enough roofs.

Given that there is no clearly identified site for operations on Cortes, specific design considerations are difficult to plan for at this stage. However, the benefit of starting on a “clean slate” site is that with thoughtful planning and foresight, the land can be developed in a way that optimizes efficiency, flow, and design aesthetic. It is possible for existing operations to install a portable industrial shelter on their sites, but any new sites for comprehensive value-added operations should consider the following in great detail.

- Prior to any construction, lots of time should be spent envisioning how the site should be arranged for optimum efficiency and use of space. Buildings can be added over time and are not prerequisites to being operational.
- The Mill Building should be designed and constructed with a large enough roof that it will cover the mill and its operators, supporting machinery and the outfeed area where wood is stacked and sorted as it comes off the mill<sup>3</sup>.
  - *Note: Harrop Procter started with an existing building that did not allow for this, and adapting later is more complicated and problematic than doing it right the first time.*

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<sup>3</sup> The mill can be operated outdoors temporarily, if necessary.

- A mill support tool room should be incorporated near the mill under the same roof for activities like blade sharpening.
- Whether the moulder is housed in the same building as the mill should be considered.
- Wood storage sheds should be located, constructed, and designed to allow for easy additions without compromising the integrity of original design. Ease of access for machines must also be considered.
- When deciding the location of the log yard, the ease of access to the mill, ease of access for logging trucks, having enough space for storage, and spreading out loads for scaling must be considered.
- If septic is planned, the location must be determined initially and planned around.

To provide context around the above considerations, Harrop Procter started operations with a large steel building with a roof and no walls. The mill and edger were housed there but it was a small area where little lumber could be stored. Almost all milled products were stored outdoors under tarps, which required constant vigilance to ensure protection from the elements. More buildings were added over time as finances and time allowed. Finally, Harrop Procter did not have an office or indoor plumbing for many years and started with next to no covered storage.

#### 4.1.3 Equipment and Buildings

One major equipment addition that will benefit even existing milling operations is a log and lumber handling machine, such as a Telehandler. This is absent from the existing mills on Cortes except at the Klahoose mill, and a loader at Blue Jay Lake Farm.

Additionally, below is a list of general equipment and building needs that can be added incrementally, or in some cases by choice, to any potential new site.

- Moulder and dust collection system.
- Telehandler.
- Dust collection system for sawmill.
- Structure to house the moulder.
- Dumping trailer to remove sawdust and shavings from mill and moulder.
- Mill Building with tool room/ workshop/ blade sharpening tools.
- Lumber storage sheds, including a heated storage unit.
- Small secure shed for hazardous goods.
- Kiln and access tracks for kiln carts.
- Office, washroom, lunchroom (assuming availability of water).

#### 4.1.4 Expertise

Fortunately, much of the expertise required to operate a value-added business on Cortes already exists within Cortes residents. The sawyer position is the most skilled, followed by the skills required to successfully operate a moulder and dry kiln. Assuming some or all the existing operators are involved in some aspect of this industry, they can then train new hires for

positions needing less skill, while also training and mentoring others in the transference of their accumulated knowledge and expertise.

While expertise of milling is abundant, it appears that less time and resources are devoted to marketing, promotion, and branding of businesses and products currently. A more detailed analysis of the branding potential is summarized in Section 4.4, however we recommend that the Co-op pursue hiring someone to take responsibility for this critical aspect on behalf of all Cortes wood product businesses.

## 4.2 Community Desires

This section is intended to summarize what the community wants to see with regards to value-added wood products. The content comes primarily from the community workshop that was hosted and conversations with members of the Co-op Board and other community members.

### 4.2.1 Training & Access

One way to ensure the growth of the sector is to get more people involved and expand horizontally. Training and access to entry-level positions in the lumber industry is the most direct way to achieve this, by creating a more skilled labour force with people who already live on Cortes. Interestingly, support for training came from both those who wanted to learn themselves as well as those who are not interested in learning but want the opportunities for others to exist.

Training in this context could focus primarily on the technical expertise associated with a variety of milling and woodworking skills. It is also advisable to offer a range of training programs designed for different intended outcomes. Some people will want specific technical skills to help with gaining employment, whereas others will be seeking more general skills to try new things in a hobby or small business setting. Business and administrative training may also be useful.

In addition to training and workshops to learn new skills, several community members expressed the desire for access to equipment and a space to use it. Achieving this through a shared makerspace not only reduces the barriers to entry but also creates a sense of community and a more natural transfer of knowledge. Any such location could potentially be a site for hosting workshops, courses, and events to engage the wider community and grow the industry (see Section 6.4.2).

### 4.2.2 Inclusivity

An important element to consider when planning the growth of this sector is the type of people who the efforts are targeted towards. Consultations with community members have highlighted the desire for inclusivity in new opportunities to create a diverse labour force. By considering a diverse group of people when designing training sessions, hosting workshops, or allocating funding and support, a variety of opportunities can be created for all people. Additionally, residents must be included and consulted with during the development stage of

any future business models. This all relates to the fact that the wood originates from the community forest, which is public land, and anything associated with it should therefore be inclusive of the entire community.

#### 4.2.3 Administrative Support

Learnings from the community workshop indicate that there is a perception in the public that the Co-op has better access to grants and funding. It is likely that this is only true in settings related to receiving government grants related to community initiatives, where being a non-profit or co-operative is an eligibility requirement. However, this does indicate a desire from the community for assistance in this area, as well as an opportunity for the Co-op to provide support to establish and raise the platform for anyone wishing to participate in this industry.

Another learning from the community workshop was that there are several people in the community who have ideas for businesses but don't have the tools or knowledge to launch them. This presents another opportunity to raise the metaphorical platform for anyone to participate through education, resources, and administrative support for those who need it. This is something that should be considered and explored in partnership with the CCEDA as there is significant overlap on this desired outcome.

If the Co-op is able, dedicating a specific position to have responsibility for this will provide a way to ensure all willing participants in the industry have access to the support and resources that they need to succeed.

### 4.3 Personnel

#### 4.3.1 Aaron & Jeramie Ellingsen

In discussions with Aaron and Jeramie, it appears they can play an integral role in the evolution of this venture. They are currently developing a business plan that aspires to manufacture small housing structures that will be built in kit-form, utilizing several different designs, then packaged and sold into the retail market. As much of the wood as possible for these structures will be milled by them using Community Forest logs.

Additionally, they are interested in providing contract kiln drying and moulding services to other Cortes mills. An agreement should be established that would see them being offered the right of first refusal for specific orders. Further work needs to be done in establishing contract pricing that will serve all parties involved.

#### 4.3.2 Ron Wolda with Kenny Sananin, Richard Andrews, and Paul Wolda

Ron says that he is ready, able, and willing to play a pivotal role in developing the value-added wood sector on Cortes. He is reaching the point in his life where he would like to take a step back from production, yet he would also like to see his sawmilling business continue. Presently he is committed to the concept of mentoring Kenny, Richard, and Paul with the intention of teaching them what he knows, and gradually handing off his business to them over time assuming the plan solidifies.

In a meeting with them as a group, the energy amongst them seemed upbeat and positive about this opportunity. The mentoring and training would take place at Ron's current mill site where operations would continue during the start-up phase, which is an incredible opportunity should it come to fruition. Having the privilege to learn from Ron is a unique opportunity that has materialized at a very opportune time.

#### 4.3.3 Klahoose First Nation

Kevin Peacey is the present manager of the Klahoose Mill and has also operated other Klahoose sawmills in the past. He is committed and knowledgeable and seems excited about developing their sawmill business. Most of the log supply comes from their tenure in the Toba Inlet and appears to be comprised mostly of high-quality old growth cedar. Presently it is unclear on how much Community Forest wood they plan to mill, though Kevin did express interest in milling some Douglas fir from the Community Forest.

Kevin plans to add a kiln and moulder in the future, and expressed interest in contributing sawmilling in concert with other Cortes mills if a greater collective volume is required from time to time to fill larger, time sensitive orders. He would also be willing to use his swing mill to cut down oversize logs into workable sizes for other Cortes mills with smaller diameter capacity.

#### 4.3.4 Henry & Elijah Verschuur

Henry and his son Elijah are capable and skilled in the milling business. They supply rough fir and cedar boards and timbers to local customers, often using Community Forest logs. In discussions with them, it was evident they are content in continuing milling as they have been milling, and they do not seem interested in ramping up production or expanding into making more refined wood products. With that being said, they could play a role in filling orders for Community Forest products in the future by milling portions of larger orders if other local mills need increased production volume for meeting deadlines.

#### 4.3.6 Private Mill Owners

There are several other mills on the island, including the one owned and operated by Nick Gagnon. We did not visit these mills, but they certainly need to be included when considering capacity for milling. If desired, they could also be promoted alongside these other mills with the more holistic Cortes brand.

## 4.4 Branding Potential

As identified already, there is an immense amount of branding potential for wood products derived from Community Forest logs and produced on Cortes Island. Some efforts have already been made to capture this value, including the logo and values-based business focus developed by the Co-op, but there is a significant amount more that can be done.

Any products produced on Cortes using Community Forest wood have a plethora of features that are appealing to a customer. The most attractive of these include the fact that the logs are

harvested using sustainable forestry practices; the Community Forest is managed by an equal partnership of the Klahoose First Nation and the Co-op; the wood is objectively high quality, and all operations are managed by a small and local community. All these factors will contribute to an appealing brand that customers will be more likely to choose over competitors.

While any business or producer can use these factors in their marketing and sales strategies, additional value can likely be created through a shared brand for all Cortes Island wood products. By sharing the brand and marketing efforts, a larger and more recognizable brand can be leveraged for all producers. This would also leverage a certain amount of natural business growth through word-of-mouth and reputable quality in off-island markets. Shared branding efforts are potentially something that the Co-op could consider taking on to benefit all value-added producers on Cortes and raise the platform for others to join.

## 5.0 Market Forecast

### 5.1 Market Description

For the purposes of this project, a cursory evaluation of the potential market was executed to determine the growth potential for the Cortes value-added sector. The market that was evaluated consisted of the nearby communities of Courtney, Comox, Cumberland, Campbell River, and Quadra Island, as well as Cortes Island itself.

### 5.2 Demand

During preliminary work carried out in evaluating current potential competition in the marketplace, it appears that there is plenty of room to successfully market in the above-described market, as well increasing sales on Cortes by providing items that are not currently available there. It appears that the regional construction industry is booming, and many of the homes being built are custom in nature, which means they will certainly contain varying amounts of finished wood products that align well with Community Forest production potential.

Factors to consider when choosing which products to produce include:

- Which products are in demand locally and regionally.
- Whether the Community Forest timber profile contains the quantity, quality, and species of wood required for those products.
- Whether the wood supply is secure enough in present and future volumes to build product lines around.
- Whether people and businesses on Cortes can manufacture these products on an economically viable basis.

We recommended that the Co-op, or any business on Cortes, build their product choices around these principles, knowing that changing market conditions and consumer preferences will require ongoing monitoring and adaptation.



Further work needs to be done in evaluating potential competitors in the region in greater detail. However, it appears that a brand that is specific to Cortes Island and that highlights the positive factors of the products can fill a unique niche within the greater market.

### 5.3 Competition

This section summarizes the businesses in the defined market that could potentially be considered competition to Cortes operations. Several are also likely to be utilized on a contract basis in the adding of value to lumber by CCF, especially in the start-up phase (see Section 6.3).

#### 5.3.1 David Green Forest Products (Merville)

Dave Green operates a Mobile Dimension circle saw as well as a Woodmizer LT 40 bandsaw. He also owns and operates a moulder and a dry kiln capable of 2,000 BF per load. The facility and business appear to be a small operation consisting of Dave and one other employee, with sales into the local market. He offers contract milling, drying, and moulding, and is the closest to Cortes in terms of a business that offers these services.

#### 5.3.2 Black Tail Enterprises/ Rain Forest Sawmill (Black Creek)

We were unable to reach their operation. Their website says they manufacture a large variety of cedar and fir products, including value-added items like panelling and siding.

#### 5.3.3 Thomson Lumber (Courtney)

Thomson Lumber operates a large circle sawmill which they built themselves. They mill and market primarily rough green cedar, with small volumes also of rough green fir. They do not own a kiln or moulder and sell hardly any profiled items. Their current pricing structure is competitive with Cortes and the market in general, but they are struggling to secure ongoing log supply.

#### 5.3.4 Canadian Bavarian (Chemainus)

Canadian Bavarian is a medium-sized operation focused on moulding and drying wood products. They operate a 60,000 BF kiln as well as a range of profiling equipment including moulders and sanders. They appear to be knowledgeable, professional, and receptive to working with Cortes on a contract basis for drying and moulding services, presenting a good option for the Co-op or other businesses for larger orders during the start-up phase of operations (see Section 6.3)

#### 5.3.5 Sawmill Sales Direct (Ladysmith)

Sawmill Sales Direct employs approximately 10 people, milling a mix of rough-cut cedar and fir products in all sizes, including timbers. They do not offer contract milling, and do not have a kiln or moulder. They seem to have a high volume of local retail sales as well as larger volume sales to more distant markets. Pricing is competitive and comparable with current pricing on Cortes (see Price List in Appendix A).

### 5.3.6 Big Box Building Supply Stores

Large building supply stores, including Home Depot and Dick's Lumber, typically stock lumber items that are mass produced and sold at prices that small-scale operators like those on Cortes cannot compete with. For this reason, and the fact that they seldom carry many of the same value-added products as will likely be produced on Cortes, they were not considered competitors for the sake of this report.

## 6.0 Opportunities

### 6.1 Overview

This section summarizes seven opportunities, or paths forwards, to achieve the intended outcomes of the Co-op. They are split into the *Highways* and *Sideroads*, as defined in Section 1.4, and cover a variety of scenarios and result in a range of outcomes, both financially and related to levels of production.

In consideration of the Co-op's expressed desire to not take responsibility or liability for achieving all outcomes, the scenarios have been designed in such a way as that they can be executed by either the Co-op or a private individual or entity. This method of analysis allows for the possibility of success if the Co-op continues to want to stay passive, or if they decide to take up responsibility themselves.

For each of the *Highways*, various options are built into the analysis regarding land and financing. Each was analyzed assuming land is purchased, leased or already owned (i.e. no purchase necessary). Each was also analyzed assuming capital was raised via a traditional mortgage, via a community bond or was donated (i.e. no repayment necessary). Only those scenarios most relevant to this report are included in the following sections and the attached appendices. However, all combinations of inputs can be seen in the accompanying spreadsheet, "Cortes Value-Added Forest Products Forecast Model".

Across all scenarios, inputs were based on market research, consultations with subject matter experts or prior experience and expertise of the consultants. Inputs were attempted to be as accurate as possible, but conservative estimates were used to account for unforeseen circumstances. Inputs remain constant across each scenario where applicable to ensure the most accurate comparisons.

### 6.2 General Assumptions

Several general assumptions were made that apply to all scenarios to ensure consistency in comparisons. These assumptions are:

- "Year 1" refers to the first year of operations under the given scenario. This reflects the fact that these scenarios can be adopted at any point in the future, as well as the fact that business planning may take an indeterminate amount of time.

- In scenarios where a moulder is not purchased in Year 1, milling operations will continue on sites where local millers are currently operating. Once a moulder is purchased, these mills may be moved to the same site where the moulder is housed.
- Sufficient demand is assumed to exist such that the limiting factor is productivity. In reality, if quantities of sales are lower, productivity will also be lower.

In addition to the assumptions above, Table 1 below summarizes some technical assumptions that were used for all scenarios and provides a rationale for each.

Item	Assumption	Rationale
<b>Logging, Productivity &amp; Sales</b>		
Year 1 Productivity (BF/Year)	210,000 BF	1,200 BF/Day for 175 operating days
Year 1 Product Mix	35% Cedar 45% Fir 20% Hemlock	Cedar & Fir are more valuable, however only a finite amount of cedar can be harvested per year, so ratios change as productivity grows
Max. Cedar Logging	216 m <sup>3</sup> / 54,000 BF	From CFGP
Inventory %	5% of each log	Estimate
Max. Combined Inventory	75,000 BF	Estimate
Year 1 Log Costs	Cedar - \$300/m <sup>3</sup> Fir - \$150/m <sup>3</sup> Hemlock - \$80/m <sup>3</sup>	Estimates
Rough Boards Sales Price	Cedar - \$3.50/BF Fir - \$2.30/BF Hemlock - \$1.40/BF	Estimates ( Including timbers)
Moulded Products Sale Price	Cedar - \$4.70/BF Fir - \$3.30/BF Hemlock - \$2.70/BF	Estimates
% Moulded Products	20%-40%	Estimates
<b>Purchases</b>		
Land Purchase Price	\$500,000	From local realtor
Land Rental Price	\$50,000/ Year	From local realtor
Mill Purchase Price	\$100,000	Estimate
Used Telehandler Purchase Price	\$60,000	Estimate
Kiln Purchase Price	\$50,000	Estimate
Moulder Purchase Price	\$150,000	Estimate (includes dust collection system)
Dumping Trailer Purchase Price	\$7,000	Estimate

Buildings & Storage (non-heated) Purchase Price	\$170,000	Estimate. <i>Note: Non-heated storage was applied to all scenarios except the Central Business as it is not a requirement for operations.</i>
Buildings & Storage (heated) Purchase Price	\$200,000	Estimate
<b>Financing</b>		
Mortgage Terms	20% Down payment 25-year Term 6.5% Interest rate	Estimates & Industry Standards
Community Bond Terms	90% Fundraise 10-year Term 4% Interest rate	Estimates & Industry Standards
<b>Labour &amp; Expenses</b>		
Employee Wage	\$50/hr	Island standard
Wage Overhead	18%	Industry standard
Marketing & Admin Costs	\$50,000 - \$60,000	Estimates. <i>Note: These were applied to each scenario, however if support in these areas is given by a central person for the whole island (i.e. in Section 6.4.1), these costs would be removed from each individual opportunity.</i>
<b>General Rates &amp; Fees</b>		
Inflation	2%	Average
Merchant Fees	2% on 75% of sales	Industry Standard
Fuel Expense	\$4,200/ Year	\$2/L, 12L/Day, 175 Days/Year
Contractor KM Expense	\$1,000/ Year	Industry estimate
Equipment & Small Tools Expense	\$10,000/ Year	Industry estimate
Property Tax	\$4,000/ Year	Estimate
Repairs, Maintenance & Utilities	Variable	Industry estimate based on Harrop Proctor's operations. <i>Note: These increase only with the amount of equipment and inflation in the model, whereas in reality they would be linked to productivity (i.e. greater use results in greater costs).</i>
Contract Milling	\$0.90/BF	Industry Estimate
Contract Moulding	\$0.65/BF	Industry Estimate
Contract Moulding Transportation Expense	\$0.25/BF	Industry Estimate
Other Transportation Expense	\$0.10/BF	This is to account for most being paid by customers but some discount on deliveries being offered to remain competitive with off-island markets.

Table 1: Technical assumptions used in each scenario

Table 2 below displays the projected sales growth and subsequent annual and daily productivity that was assumed for all scenarios throughout the model.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sales Growth		15%	12%	10%	4%	2%	2%	2%	2%	2%
Annual Production (BF)	210,000	241,500	270,480	297,528	309,429	315,618	321,930	328,369	334,936	341,635
Daily Production (BF)	1,200	1,380	1,546	1,700	1,768	1,804	1,840	1,876	1,914	1,952

Table 2: Sales growth, annual and daily production levels for the first 10 years

### 6.3 Highways

As mentioned in Section 1.4, to best represent the vision of this business roadmap, the scenarios that have the greatest potential to produce more value-added wood products on Cortes using Cortes wood are defined as *Highways*. These are designed as hypothetical situations that can be adopted by either the Co-op, individuals on Cortes, or some combination.

This section is used to describe each opportunity, the potential benefits and drawbacks of each and some high-level financial projections based on a certain set of likely assumptions. Throughout the analysis, conservative estimates were used to account for unforeseen risks.

#### 6.3.1 Scenario 1: Existing Mill & Kiln → Buy Moulder & Storage

##### 6.3.1.1 Description

This scenario is designed for people on Cortes who either already own a mill and kiln. For the first few years, they purchase logs, mill and dry them, then take the rough-cut boards either to Ellingsen Woods or a site off-island for moulding. The finished products are then sold to both on- and off-island markets. In Year 4, they purchase a moulder and build a storage space so that they can start to process the boards themselves. The finished products are continued to be sold to both on- and off-island markets.

Of the people on the island who have access to a mill and kiln, there are two groups who are most likely to be able to adopt this scenario. They are Aaron and Jeramie Ellingsen of Ellingsen Woods and Kenny Sananin, Richard Andrews and Paul Wolda using Ron Wolda’s mill. Ellingsen Woods own their own mill, kiln, and moulder. The kiln requires work to become operational and the moulder is sufficient for smaller orders but likely not robust enough for larger productivity levels. Kenny, Richard and Paul have expressed immense interest in using Ron Wolda’s mill and kiln while being trained by him.

##### 6.3.1.2 Benefits & Drawbacks

The main benefit of this scenario is that it utilizes existing resources on the island and develops them into the desired value-added production. This not only results in less of a capital

requirement, but it also enables community members to be the champions of this industry, reducing or eliminating the amount of responsibility on the Co-op to ensure its success. There is an option for the Co-op to provide a certain level of support, which will benefit the business owners and increase the chance of success.

Additional benefits are that it involves less risk associated with start-up costs and a less steep learning curve as the people involved have experience with milling or are going to be trained and mentored by someone with decades of experience. This means that the inherent knowledge of the industry and best practices exist and can be drawn upon to expand into value-added production.

The main drawback to this option is that it relies on individual people to take on the risk associated with starting the business and creating their market. The financial success of this scenario, as with others, relies on a certain level of sales and productivity that may not be met without appropriate sales strategies. **If the Co-op is not able to provide support for this side of the business, this scenario may not be feasible,** and will depend entirely on the ability of the mill owners to take this on.

6.3.1.3 Assumptions

Table 3 below summarizes the assumptions used specific to this scenario, in addition to the general assumptions summarized in Section 6.2.

Assumption	Notes
Telehandler purchased in Year 1	This will speed up the milling and loading process, which will allow for higher productivity levels even when contract moulding
Land, Moulder, Dumping Trailer, Buildings & Storage purchased in Year 4	This gives the first few years using contract moulding to gain experience with milling, develop the brand and business operations and grow the customer base before investing significant capital in equipment and storage. This is not necessary but helps to reduce start-up risks. The timing of the purchase does not have to be Year 4, as it will depend on the state of the business and market, as well as when a suitable site is secured.
3 employees when contract moulding	2 to operate the mill and 1 working in the yard at any given time. This could potentially be reduced to 2 employees total, but 3 is what is needed to achieve the required levels of productivity. The third person will cover all the tasks required to run the business for the mill to be operating continuously.
4 employees after moulder in purchased	2 to operate the mill, 1 to operate the moulder and 1 working in the yard at any given time. This is what is expected to achieve the required levels of productivity

Table 3: Assumptions specific to Scenario 1

6.3.1.4 Financial Projections

This scenario provides promise for being financially feasible. Figure 2 below displays a summary of the cash flow forecast for this scenario under the assumption that all capital is sourced

through a traditional mortgage<sup>4</sup>. As you can see, the business becomes consistently profitable in Year 5, which coincides with when the moulder and other equipment are purchased. This reflects the fact that it is more profitable to process the products on site compared to having them contract moulded off-island.

Additionally, it is important to consider that by Year 5, productivity and sales have increased to over 300,000 BF annually. This means that while contract moulding is more expensive, it allows time to increase sales and technical expertise to allow for greater profit once processing operations begin on-site. Furthermore, even though there are profits shown in Years 2 and 3 under this model, in reality there are many factors that may make contract moulding unsustainable at the levels of production indicated in Figure 2, which is not the case once the moulder and other equipment has been purchased in Year 4.

The “Cumulative Cash Flow” can be seen in the bottom line of Figure 2, which shows that under this scenario all investments are paid off within the first 6 years.

#### Scenario 1 / Mortgage

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales	556,680	656,347	756,860	816,320	880,550	914,674	950,148	987,026	1,025,363	1,065,218
Financing	48,000	0	0	661,600	0	0	0	0	0	0
<b>Total Revenues</b>	<b>604,680</b>	<b>656,347</b>	<b>756,860</b>	<b>1,477,920</b>	<b>880,550</b>	<b>914,674</b>	<b>950,148</b>	<b>987,026</b>	<b>1,025,363</b>	<b>1,065,218</b>
<b>Expenses</b>										
Log Costs	146,640	167,052	186,795	206,145	217,276	225,339	233,712	242,410	251,444	260,828
Investments & Equipment	60,000	0	0	827,000	0	0	0	0	0	0
Operating Costs	454,710	477,209	500,591	523,503	527,196	530,188	533,240	536,353	539,528	542,766
Financing	0	4,978	4,853	51,834	71,491	69,646	67,801	65,956	64,111	62,266
<b>Total Expenses</b>	<b>661,350</b>	<b>649,238</b>	<b>692,238</b>	<b>1,608,482</b>	<b>815,963</b>	<b>825,173</b>	<b>834,754</b>	<b>844,719</b>	<b>855,083</b>	<b>865,861</b>
<b>Profit (Loss)</b>	<b>(56,670)</b>	<b>7,109</b>	<b>64,622</b>	<b>(130,563)</b>	<b>64,587</b>	<b>89,502</b>	<b>115,395</b>	<b>142,307</b>	<b>170,280</b>	<b>199,357</b>
<i>Cumulative Cash Flow</i>	<i>(56,670)</i>	<i>(49,561)</i>	<i>15,061</i>	<i>(115,502)</i>	<i>(50,915)</i>	<i>38,587</i>	<i>153,981</i>	<i>296,288</i>	<i>466,568</i>	<i>665,925</i>

Figure 2: Financial forecast for Scenario 1 under the Mortgage option

Figure 3 below displays the same as Figure 2 except under the assumption that all capital is raised through a Community Bond. Due to the structures of the Community Bond, no interest is paid until the end of the term, which results in profitability sooner but with a lump-sum payment at the end of the Bond’s term in Year 10.

<sup>4</sup> A full breakdown of all forecasts can be found in Appendix B.

Many factors will contribute to determining if this is a suitable way to raise funds, but it is important to consider that these bonds will provide greater flexibility in repayment at the end of the term. They also provide greater financial freedom compared to a mortgage as a mortgage will require interest and principal repayments for 25 years, much beyond the scope of this forecast. Under this scenario, by Year 10 there is sufficient saved capital to repay bonds fully while still retaining cash to reinvest in the business.

#### Scenario 1 / Bond Raise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales	556,680	656,347	756,860	816,320	880,550	914,674	950,148	987,026	1,025,363	1,065,218
Financing	54,000	0	0	744,300	0	0	0	0	0	0
<b>Total Revenues</b>	<b>610,680</b>	<b>656,347</b>	<b>756,860</b>	<b>1,560,620</b>	<b>880,550</b>	<b>914,674</b>	<b>950,148</b>	<b>987,026</b>	<b>1,025,363</b>	<b>1,065,218</b>
<b>Expenses</b>										
Log Costs	146,640	167,052	186,795	206,145	217,276	225,339	233,712	242,410	251,444	260,828
Investments & Equipment	60,000	0	0	827,000	0	0	0	0	0	0
Operating Costs	454,710	477,209	500,591	523,503	527,196	530,188	533,240	536,353	539,528	542,766
Financing	0	0	0	0	0	0	0	0	0	830,232
<b>Total Expenses</b>	<b>661,350</b>	<b>644,261</b>	<b>687,385</b>	<b>1,556,648</b>	<b>744,472</b>	<b>755,527</b>	<b>766,952</b>	<b>778,763</b>	<b>790,972</b>	<b>1,633,827</b>
<b>Profit (Loss)</b>	<b>(50,670)</b>	<b>12,086</b>	<b>69,475</b>	<b>3,971</b>	<b>136,078</b>	<b>159,148</b>	<b>183,196</b>	<b>208,263</b>	<b>234,391</b>	<b>(568,608)</b>
<i>Cumulative Cash Flow</i>	<i>(50,670)</i>	<i>(38,584)</i>	<i>30,891</i>	<i>34,862</i>	<i>170,940</i>	<i>330,088</i>	<i>513,284</i>	<i>721,547</i>	<i>955,937</i>	<i>387,329</i>

Figure 3: Financial forecast for Scenario 1 under the Bond Raise option

### 6.3.2 Scenario 2: Central Business

#### 6.3.2.1 Description

In this scenario, either the Co-op or another entity establishes a central business to market and grow Cortes wood products. They set up sales with customers, both on- and off-island, and then put each order up to tender with on-island millers. They also purchase land and equipment to process and store wood and charge a usage fee to the millers using this equipment to complete the orders. The central business takes a percentage of all sales to cover its costs.

Included in this scenario is an option for the Co-op or entity to sell the equipment that they purchased to an interested miller at a certain point in the future, where their cumulative usage fee is subtracted from the sale price as in a rent-to-own model.

#### 6.3.2.2 Benefits & Drawbacks

One of the main benefits of this scenario is that it includes the purchase of land, equipment, and storage in the first year of operations while relinquishing a lot of the risk for the millers. If mill-owners on Cortes are not willing or able to take the risk of the immediate capital



investment, this allows them to still be involved in the industry. It also presents an opportunity for those millers to purchase the equipment and take over the business operations at some point in the future.

Another benefit is that it creates a central location that is not privately owned and that can be used to serve the greater community. Shared usage of the equipment through a pay-per-use model encourages the sharing of skills and joint learning, while also generating recurring revenue for the Central Business. Portions of the storage space could be rented to people on the island for their own inventory as well. It also presents an ideal location for community events and educational workshops to increase the number of skilled woodworkers in the community.

The main drawback to this scenario is that there is a disconnect between the customer base, the Central Business and the mill-owners. While this presents an opportunity to establish a value-added wood industry without motivated individuals or “Champions”, it does take away from the nature of the market. As the Central Business will act as the link between customers and millers, there is less interaction between them, which may result in less satisfied customers or certain inefficiencies.

Another drawback is that to operate, the Central Business requires a commission on all sales to pay for its operating costs and other expenses. This decreases the margins of the milling businesses, meaning that there is a fine line that would benefit both sides. As there are many variables involved in this scenario, it was not possible to determine the ideal commission that would result in both businesses being profitable. Further analysis is therefore recommended.

*6.3.2.3 Assumptions*

Table 4 below summarizes the assumptions used specific to this scenario, in addition to the general assumptions summarized in Section 6.2.

Assumption	Notes
All equipment purchased in Year 1	This jumpstarts the industry immediately but assumes there is also a time lag before this purchase to set up branding and begin to source customers.
Kiln & Moulder sold in Year 9	Year 9 is used to demonstrate that the equipment may be sold at some point. This would depend on when someone becomes interested and if it makes financial sense to sell it. Once the equipment is sold, usage revenues are removed and the mortgage on the equipment is transferred to the purchaser.
Year 1 Annual Usage Revenue	\$10,000 - Estimate that grows proportionally with productivity
Sales Commission	15% - Estimate

<b>Operating Expenses</b>	
Executive Director	\$75,000/year - Estimate
Utilities	\$2,500/year - Estimate
Office/ Miscellaneous	\$10,000/year - Estimate
<b>Equipment Sale Details</b>	
Annual Depreciation	5% - based on a 20-year lifespan
Buyer Usage Fee %	50% - assumes the eventual buyer will have spent approximately 50% of the total usage fees by the time they purchase.

Table 4: Assumptions specific to Scenario 2

Table 5 below summarizes how the sale price of the equipment is calculated.

Initial Value	\$207,000
Sale Year	Year 9
Annual Depreciation %	5%
Annual Depreciation \$	\$10,350
Value in Sale Year	\$124,200
Buyer Usage Fee %	50%
Buyer Cumulative Usage Fee	\$40,000
<b>Total Sale Price</b>	<b>\$84,200</b>

Table 5: Summary of calculations for equipment sale price

#### 6.3.2.4 Financial Projections

While this scenario has many qualitative benefits, it is unfortunately difficult to make financially feasible, primarily due to the many variables involved, the cost of borrowing money and restrictions on how large of a commission the Central Business can take. While it is likely that this scenario will be intended to simply breakeven, with the added benefits being profits for the mill-owners on Cortes and the growth of the industry, Figure 4 below demonstrates that losses are realized every year except for the year in which the equipment is sold when the capital is raised through a traditional mortgage.

## Scenario 2 / Mortgage

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales Commission	79,327	93,529	107,853	122,448	132,083	137,201	142,522	148,054	153,804	0
Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Financing	773,600	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>862,927</b>	<b>104,729</b>	<b>120,173</b>	<b>135,261</b>	<b>145,152</b>	<b>150,532</b>	<b>156,119</b>	<b>161,923</b>	<b>238,004</b>	<b>0</b>
<b>Expenses</b>										
Investments & Equipment	967,000	0	0	0	0	0	0	0	0	0
Operating Costs	90,493	92,691	94,889	97,095	99,122	101,105	103,127	105,189	107,293	0
Financing	0	80,222	78,211	76,200	74,188	72,177	70,166	68,154	34,200	33,160
<b>Total Expenses</b>	<b>1,057,493</b>	<b>172,914</b>	<b>173,100</b>	<b>173,295</b>	<b>173,310</b>	<b>173,282</b>	<b>173,292</b>	<b>173,343</b>	<b>141,493</b>	<b>33,160</b>
<b>Profit (Loss)</b>	<b>(194,566)</b>	<b>(68,184)</b>	<b>(52,928)</b>	<b>(38,034)</b>	<b>(28,159)</b>	<b>(22,750)</b>	<b>(17,173)</b>	<b>(11,421)</b>	<b>96,511</b>	<b>(33,160)</b>
<i>Cumulative Cash Flow</i>	<i>(194,566)</i>	<i>(262,750)</i>	<i>(315,678)</i>	<i>(353,712)</i>	<i>(381,871)</i>	<i>(404,621)</i>	<i>(421,794)</i>	<i>(433,214)</i>	<i>(336,703)</i>	<i>(369,863)</i>

Figure 4: Financial forecast for Scenario 2 under the Mortgage option

If the capital is raised through a Community Bond, as described in Section 6.3.1.4, the forecast is better but still results in a net loss after 10 years if the equipment is sold in Year 9 as is modelled (see Figure 5). However, if the equipment is not sold in Year 9, then the initial investments will be paid off in Year 10 or 11, making this option only slightly more feasible.

## Scenario 2 / Bond Raise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales Commission	79,327	93,529	107,853	122,448	132,083	137,201	142,522	148,054	153,804	0
Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Financing	870,300	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>959,627</b>	<b>104,729</b>	<b>120,173</b>	<b>135,261</b>	<b>145,152</b>	<b>150,532</b>	<b>156,119</b>	<b>161,923</b>	<b>238,004</b>	<b>0</b>
<b>Expenses</b>										
Investments & Equipment	967,000	0	0	0	0	0	0	0	0	0
Operating Costs	90,493	92,691	94,889	97,095	99,122	101,105	103,127	105,189	107,293	0
Financing	0	0	0	0	0	0	0	0	0	468,000
<b>Total Expenses</b>	<b>1,057,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,095</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,189</b>	<b>107,293</b>	<b>468,000</b>
<b>Profit (Loss)</b>	<b>(97,866)</b>	<b>12,038</b>	<b>25,283</b>	<b>38,165</b>	<b>46,029</b>	<b>49,427</b>	<b>52,993</b>	<b>56,734</b>	<b>130,711</b>	<b>(468,000)</b>
<i>Cumulative Cash Flow</i>	<i>(97,866)</i>	<i>(85,828)</i>	<i>(60,544)</i>	<i>(22,379)</i>	<i>23,650</i>	<i>73,077</i>	<i>126,070</i>	<i>182,804</i>	<i>313,515</i>	<i>(154,485)</i>

Figure 5: Financial forecast for Scenario 2 under the Bond Raise option

While this scenario does not look promising under the above assumptions, there are some elements that can be adjusted to make it more profitable, and which are fairly likely to be possible. The first is if the Co-op or Central Business can source grant-funding for the Executive Director position, then profits are realized from Year 2 even under the mortgage option and there is enough cumulative capital to sell the equipment in Year 9 while retaining cash in the bank (see Figure 6).

#### Scenario 2 / Mortgage with Labour Subsidy

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales Commission	79,327	93,529	107,853	122,448	132,083	137,201	142,522	148,054	153,804	0
Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Financing	773,600	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>937,927</b>	<b>181,229</b>	<b>198,203</b>	<b>214,851</b>	<b>226,334</b>	<b>233,338</b>	<b>240,581</b>	<b>248,074</b>	<b>325,879</b>	<b>0</b>
<b>Expenses</b>										
Investments & Equipment	967,000	0	0	0	0	0	0	0	0	0
Operating Costs	90,493	92,691	94,889	97,095	99,122	101,105	103,127	105,189	107,293	0
Financing	0	80,222	78,211	76,200	74,188	72,177	70,166	68,154	34,200	33,160
<b>Total Expenses</b>	<b>1,057,493</b>	<b>172,914</b>	<b>173,100</b>	<b>173,295</b>	<b>173,310</b>	<b>173,282</b>	<b>173,292</b>	<b>173,343</b>	<b>141,493</b>	<b>33,160</b>
<b>Profit (Loss)</b>	<b>(119,566)</b>	<b>8,316</b>	<b>25,102</b>	<b>41,556</b>	<b>53,024</b>	<b>60,056</b>	<b>67,289</b>	<b>74,731</b>	<b>184,386</b>	<b>(33,160)</b>
<i>Cumulative Cash Flow</i>	<i>(119,566)</i>	<i>(111,250)</i>	<i>(86,148)</i>	<i>(44,591)</i>	<i>8,432</i>	<i>68,488</i>	<i>135,778</i>	<i>210,509</i>	<i>394,894</i>	<i>361,734</i>

Figure 6: Financial forecast for Scenario 2 under the Mortgage option and with a Labour Subsidy

Another option is if the Co-op can source the funds to purchase their equipment through donations in which there is no interest or payback period, then again this scenario can be quite profitable (see Figure 7). This is less likely and will require a strong fundraising effort and community engagement but is certainly possible.

## Scenario 2 / Fundraise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales Commission	79,327	93,529	107,853	122,448	132,083	137,201	142,522	148,054	153,804	0
Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Financing	967,000	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>1,056,327</b>	<b>104,729</b>	<b>120,173</b>	<b>135,261</b>	<b>145,152</b>	<b>150,532</b>	<b>156,119</b>	<b>161,923</b>	<b>238,004</b>	<b>0</b>
<b>Expenses</b>										
Investments & Equipment	967,000	0	0	0	0	0	0	0	0	0
Operating Costs	90,493	92,691	94,889	97,095	99,122	101,105	103,127	105,189	107,293	0
Financing	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>1,057,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,095</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,189</b>	<b>107,293</b>	<b>0</b>
<b>Profit (Loss)</b>	<b>(1,166)</b>	<b>12,038</b>	<b>25,283</b>	<b>38,165</b>	<b>46,029</b>	<b>49,427</b>	<b>52,993</b>	<b>56,734</b>	<b>130,711</b>	<b>0</b>
<i>Cumulative Cash Flow</i>	<i>(1,166)</i>	<i>10,872</i>	<i>36,156</i>	<i>74,321</i>	<i>120,350</i>	<i>169,777</i>	<i>222,770</i>	<i>279,504</i>	<i>410,215</i>	<i>410,215</i>

Figure 7: Financial forecast for Scenario 2 under the Fundraise option

### 6.3.3 Scenario 3: Contract Mill → Buy Kiln, Moulder & Storage

#### 6.3.3.1 Description

In this scenario, the Co-op or another entity contracts on-island millers to mill logs from the Community Forest. For the first few years, the Co-op takes these rough-cut boards either to Ellingsen Woods or a site off-island to get them dried and moulded, then sells the finished products to both on- and off-island markets. In Year 4, the Co-op purchases a kiln and moulder and builds a storage space so that they can start to dry and mould the boards themselves. The finished products are continued to be sold to both on- and off-island markets.

While this scenario assumes the Co-op or entity will purchase logs from the Community Forest and bring them to the mill to be cut, it is also possible for them to simply purchase rough-cut boards from a mill to save this step in the process and make it simpler. While this is a simpler method, assuming cedar boards would cost \$2.60/BF and fir boards would cost \$1.60/BF, this method would cost on average between \$0.15-\$0.55/BF more as boards would be purchased at retail prices. If a deal could be made with millers, this cost difference could potentially be less.

#### 6.3.3.2 Benefits & Drawbacks

The benefit of this scenario is that it allows the Co-op, or another entity, to enter this industry without relying on a “Champion” from the community to do it themselves. Little motivation has been expressed from current members of the Co-op to take on a business venture in value-added processing, so this scenario allows them to produce value-added products, while engaging and supporting millers on the island, with the hopes that in several years there is more appetite to purchase a moulder and storage and operate the value-added business fully. Another benefit is that it recognizes that there are plenty of rough-cut boards on the island and takes a step into turning them into value-added products while still supporting those who are

only milling. In this way, the wood industry on Cortes is advanced without creating more competition within the community.

The main drawback to this option is that there is still a fair amount of risk and capital investment that relies on someone taking interest in only a few years. Contract milling and contract moulding are less financially viable than doing it yourself, so the risk is that if it takes longer for someone to take interest and for the Co-op to purchase the equipment, the more time with those worse margins.

*6.3.3.3 Assumptions*

Table 6 below summarizes the assumptions used specific to this scenario, in addition to the general assumptions summarized in Section 6.2.

Assumption	Notes
Land, Telehandler, Kiln, Moulder, Dumping Trailer, Buildings & Storage purchased in Year 4	This gives the first few years using contract moulding to gain experience with milling, develop the brand and business operations and grow the customer base before investing significant capital in equipment and storage. This is not necessary but helps to reduce start-up risks. The timing of the purchase does not have to be Year 4, as it will depend on the state of the business and market, as well as when a suitable site is secured.
1 employee when contract milling	Primarily sourcing customers, loading, and transporting wood.
2 employees after moulder in purchased	2 to operate the moulder and 1 working on the yard at any given time. This is what is expected to achieve the required levels of productivity.

*Table 6: Assumptions specific to Scenario 3*

*6.3.3.4 Financial Projections*

This scenario shows the least financial potential, largely due to the cost of contract milling the logs from the Community Forest. Figure 8 below illustrates that even after the moulder and other equipment are purchased in Year 4, it takes until Year 7 for sales and productivity to be high enough to return a profit under the mortgage option. This means that by Year 10, there are still cumulative losses.

Similarly to Scenario 1, while there are profits shown in Year 3 here when contract milling and contract moulding, there are many factors that are difficult to model that will likely mean this is not sustainable in the long term.

### Scenario 3 / Mortgage

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales	556,680	656,347	756,860	816,320	880,550	914,674	950,148	987,026	1,025,363	1,065,218
Financing	0	0	0	749,600	0	0	0	0	0	0
<b>Total Revenues</b>	<b>556,680</b>	<b>656,347</b>	<b>756,860</b>	<b>1,565,920</b>	<b>880,550</b>	<b>914,674</b>	<b>950,148</b>	<b>987,026</b>	<b>1,025,363</b>	<b>1,065,218</b>
<b>Expenses</b>										
Log Costs	146,640	167,052	186,795	206,145	217,276	225,339	233,712	242,410	251,444	260,828
Investments & Equipment	0	0	0	937,000	0	0	0	0	0	0
Operating Costs	439,410	489,949	539,096	595,478	609,743	618,161	626,749	635,508	644,442	653,555
Financing	0	0	0	53,372	75,785	73,836	71,887	69,938	67,989	66,040
<b>Total Expenses</b>	<b>586,050</b>	<b>657,001</b>	<b>725,891</b>	<b>1,791,995</b>	<b>902,803</b>	<b>917,336</b>	<b>932,348</b>	<b>947,855</b>	<b>963,875</b>	<b>980,423</b>
<b>Profit (Loss)</b>	<b>(29,370)</b>	<b>(654)</b>	<b>30,969</b>	<b>(226,076)</b>	<b>(22,253)</b>	<b>(2,661)</b>	<b>17,801</b>	<b>39,170</b>	<b>61,488</b>	<b>84,796</b>

*Cumulative Cash Flow* (29,370) (30,024) 945 (225,130) (247,383) (250,044) (232,244) (193,073) (131,585) (46,789)

Figure 8: Financial forecast for Scenario 3 under the Mortgage option

Even if capital is raised using a Community Bond, as displayed in Figure 9 below, not enough profits are made by the end of the Bond's term to pay back all the purchasers, resulting in a large sum of debt in Year 10.

### Scenario 3 / Bond Raise

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales	556,680	656,347	756,860	816,320	880,550	914,674	950,148	987,026	1,025,363	1,065,218
Financing	0	0	0	843,300	0	0	0	0	0	0
<b>Total Revenues</b>	<b>556,680</b>	<b>656,347</b>	<b>756,860</b>	<b>1,659,620</b>	<b>880,550</b>	<b>914,674</b>	<b>950,148</b>	<b>987,026</b>	<b>1,025,363</b>	<b>1,065,218</b>
<b>Expenses</b>										
Log Costs	146,640	167,052	186,795	206,145	217,276	225,339	233,712	242,410	251,444	260,828
Investments & Equipment	0	0	0	937,000	0	0	0	0	0	0
Operating Costs	439,410	489,949	539,096	595,478	609,743	618,161	626,749	635,508	644,442	653,555
Financing	0	0	0	0	0	0	0	0	0	877,032
<b>Total Expenses</b>	<b>586,050</b>	<b>657,001</b>	<b>725,891</b>	<b>1,738,624</b>	<b>827,019</b>	<b>843,500</b>	<b>860,461</b>	<b>877,918</b>	<b>895,886</b>	<b>1,791,415</b>
<b>Profit (Loss)</b>	<b>(29,370)</b>	<b>(654)</b>	<b>30,969</b>	<b>(79,004)</b>	<b>53,532</b>	<b>71,175</b>	<b>89,687</b>	<b>109,108</b>	<b>129,477</b>	<b>(726,197)</b>

*Cumulative Cash Flow* (29,370) (30,024) 945 (78,059) (24,527) 46,647 136,335 245,443 374,920 (351,277)

Figure 9: Financial forecast for Scenario 3 under the Bond Raise option

Only when all costs are fundraised, with no interest or payback period does this scenario make sense financially.

### 6.3.4 Scenario 4: Buy Mill → Buy Kiln, Moulder & Storage

#### 6.3.4.1 Description

This scenario is similar to both Scenarios 1 and 3. It is designed to be adopted by someone who wants to run their own business from the very beginning, which could be the Co-op or a private individual. The key difference is that the Co-op or individual purchases a mill and purchases logs from the Community Forest then mills them into rough-cut boards themselves. For the first few years, they take the rough-cut boards either to Ellingsen Woods or a site off-island to get them dried and moulded, then sells the finished products to both on- and off-island markets. In Year 4, they purchase a kiln and moulder and build a storage space so that they can start to dry and mould the boards themselves. The finished products are continued to be sold to both on- and off-island markets. It is similar to Scenario 1, except requires a mill to be purchased immediately but a kiln is purchased with the moulder.

#### 6.3.4.2 Benefits & Drawbacks

The main benefit to this scenario is that it forecasts a way of producing value-added products from start to finish. Many things, including the timing of the equipment purchases, are variable and will depend on the fluid situation of the business, but this scenario gives the business owner that license to adapt. By purchasing a mill straight away and entering the market this way, they will be better set up to succeed once a kiln, moulder and storage facility are also purchased and value-added production begins. This scenario can also be considered a more traditional method of starting a business, which therefore provides a greater pool of knowledge and experience to draw from and potentially greater access to funding sources.

The primary drawback to this scenario is that it again relies on an individual (either private or Co-op Board member) to have the motivation to make this endeavour succeed and truly champion the venture. Without this, or without a determination to persevere through adversity, the chance of this scenario succeeding is very slim.

#### 6.3.4.3 Assumptions

Table 7 below summarizes the assumptions used specific to this scenario, in addition to the general assumptions summarized in Section 6.2.

Assumption	Notes
Mill & Telehandler purchased in Year 1	This begins the process and starts the business
Land, Kiln, Moulder, Dumping Trailer, Buildings & Storage purchased in Year 4	This gives the first few years using contract moulding to gain experience with milling, develop the brand and business operations and grow the customer base before investing significant capital in equipment and storage. This is not necessary but helps to reduce start-up risks. The timing of the purchase does not have to be Year 4, as it will depend on the state of the business and market, as well as when a suitable site is secured.



3 employees when only milling and contract moulding	2 to operate the mill and 1 working on the yard at any given time. This could potentially be reduced to 2 employees total, but this is what is expected to achieve the required levels of productivity
4 employees after moulder in purchased	2 to operate the mill, 1 to operate the moulder and 1 working on the yard at any given time. This is what is expected to achieve the required levels of productivity

Table 7: Assumptions specific to Scenario 4

#### 6.3.4.4 Financial Projections

The financial projections for this scenario are very similar to those for Scenario 1, as can be seen in Figure 10 below. The key difference is that under the mortgage option, costs associated with this financing are higher as more equipment must be purchased. Otherwise, this is a viable option for anyone who does not currently own and operate a mill but would like to start.

#### Scenario 4 / Mortgage

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenues</b>										
Sales	556,680	656,347	756,860	816,320	880,550	914,674	950,148	987,026	1,025,363	1,065,218
Financing	128,000	0	0	701,600	0	0	0	0	0	0
<b>Total Revenues</b>	<b>684,680</b>	<b>656,347</b>	<b>756,860</b>	<b>1,517,920</b>	<b>880,550</b>	<b>914,674</b>	<b>950,148</b>	<b>987,026</b>	<b>1,025,363</b>	<b>1,065,218</b>
<b>Expenses</b>										
Log Costs	146,640	167,052	186,795	206,145	217,276	225,339	233,712	242,410	251,444	260,828
Investments & Equipment	160,000	0	0	877,000	0	0	0	0	0	0
Operating Costs	448,710	471,089	494,348	523,503	527,196	530,188	533,240	536,353	539,528	542,766
Financing	0	13,274	12,941	62,562	83,207	81,050	78,893	76,736	74,579	72,422
<b>Total Expenses</b>	<b>755,350</b>	<b>651,414</b>	<b>694,084</b>	<b>1,669,210</b>	<b>827,679</b>	<b>836,577</b>	<b>845,846</b>	<b>855,499</b>	<b>865,551</b>	<b>876,017</b>
<b>Profit (Loss)</b>	<b>(70,670)</b>	<b>4,933</b>	<b>62,776</b>	<b>(151,291)</b>	<b>52,871</b>	<b>78,098</b>	<b>104,303</b>	<b>131,527</b>	<b>159,812</b>	<b>189,201</b>
<i>Cumulative Cash Flow</i>	<i>(70,670)</i>	<i>(65,737)</i>	<i>(2,961)</i>	<i>(154,252)</i>	<i>(101,381)</i>	<i>(23,283)</i>	<i>81,020</i>	<i>212,547</i>	<i>372,358</i>	<i>561,560</i>

Figure 10: Financial forecast for Scenario 4 under the Mortgage option

## 6.4 Sideroads

As mentioned in Section 1.4, the following additional opportunities are considered *Sideroads* as they have the potential to contribute to value-added processing on Cortes but are dependent on the success of the *Highways* and will have less contribution as standalone options. It is therefore likely that any of these options must be done in conjunction with one or more of the *Highways* described in the previous Section.

### 6.4.1 Administrative Support

This option is a relatively low-effort and low-risk option for the Co-op, while still providing support for other businesses to excel in their efforts. The function of this scenario is for the Co-

op to simply allocate funds towards an administrative staff member who is available for any individual or business on the island working on value-added products to engage with.

Services that this person could provide include marketing, business development, advocacy and relationship building, assistance with locating suitable sites for operations, market research, assistance with sourcing capital, and human resource support. They could also become a hub for access to external resources, such as legal, administrative, financing or software usage.

It is difficult to estimate an appropriate salary for this role as it would largely depend on the number of people requiring their services. A salary for this position can be assumed to be \$50,000 - \$75,000 per year.

The benefits of this scenario are that it is a low-effort solution for the Co-op as a whole. By allocating money to a staff position, it becomes that person's responsibility with a small amount of oversight from the Board. Other benefits include the fact that this becomes a shared resource for anyone to use when pursuing some variation of the other scenarios presented in this report, reducing their operating costs, reducing the barriers to entry, and overall improving the chance of success. Finally, a certain amount of shared learning will be possible in this role, again contributing to the overall success of all members in the industry.

The main drawback is that it may require a significant amount of money from the Co-op with no recurring revenues to offset this cost. It also relies heavily on members of the community to be motivated and able to take responsibility and start their own businesses.

#### 6.4.2 Shared Makerspace

The concept of a shared makerspace was raised by numerous members of the community and has been highlighted previously as a way of improving access to value-added wood processing. This option assumes a physical space is constructed and various tools and equipment are purchased for people to use. Different pricing strategies can be used for use of the space and equipment, including lifetime, annual, monthly, and single-use memberships.

In addition to memberships for usage, the space could also be used for workshops, educational courses, and other programs to encourage more people to start working with wood. These types of programs could be focused on teaching people the wide range of wood products that can be produced without industrial equipment, with the overall goal being to increase the number of people producing value-added products on the island. Administration and maintenance of the space would need to be managed by someone, which could potentially be the Co-op or another entity.

The benefits of this scenario are large and predominantly include social benefits and less tangible growth of the industry and community involvement. By creating more interest and skills in wood working, as well as providing a place for the community to congregate and share equipment, a shared makerspace would increase the amount of wood being processed on the island and would have a positive impact on community satisfaction surrounding it. It would





To ensure a greater chance of success in achieving more value-added wood products being produced on Cortes Island using Cortes wood, the following recommendations should be heeded.

### **1. Hire a Community Forest Business Advisor.**

As there is a lot of experience and interest in wood products within the community, there is a lot of potential for one or several value-added businesses to emerge. We therefore recommend hiring a full-time staff member to help kick-start the process of launching a value-added forest products industry.

The primary function of this position should be to support and encourage new and existing businesses to enter or grow the industry. This function can be satisfied using any of the scenarios summarized in this report, while also acting as a point of contact between the Co-op and wider community for all things related to the value-added industry. Along with this, other roles and responsibilities of this position could include:

- Provide advocacy and support to new businesses.
- Maintain and grow relationships, while also providing support for existing businesses.
- Help create solutions to address issues surrounding land, infrastructure and suitable sites for value-added production.
- Developing and growing the “Cortes Wood” brand, as identified in Recommendation #2.
- Begin demand-side market research and outreach endeavours with potential customers to support future business on the Island.
- Liaise with community non-government organizations and regional, provincial, federal and professional associations to enable information sharing and collaboration.
- Assist in grant applications and fundraising for individuals and businesses.
- Researches, sources and communicates skills training and other development programs to the community.

While this position can suffice by only being a 1-year term, there may also be benefits in transitioning that role into something more specific to the scenarios summarized in this report. For example, they could assume the role of Administrative Support for the entire industry as described in Section 6.4.1. Alternatively, if the Co-op decides to proceed with the Central Business scenario (Section 6.3.2), this person would be well positioned to lead on that venture and potentially fill the role of Executive Director in that new entity.

### **2. Develop the Cortes Wood brand.**

To capture the full value of the Community Forest and products produced within the community, we recommend that a communal brand for all wood products from the Community Forest be developed. We recommend this being done one of the following two ways:

- i) Develop the intangible aspects of the brand, including the logo, messaging, and reputation, within the wider market by building a positive narrative around the

products. This will indirectly benefit any wood producers operating on Cortes, primarily through word-of-mouth and experience of customers.

- ii) Develop both the intangible and tangible aspects of the brand, through promotional products and a physical website that acts as a landing page for the elements mentioned in Option #1. This website can also link directly to wood producers operating on Cortes, thus directly benefiting their businesses. Additionally, if the Central Business Scenario (Section 6.3.2) is adopted at some point in the future, this can act as the website for that business.

### **3. Address land zoning.**

Land zoning is currently limiting the value-added wood products industry on Cortes Island, but there is a solution to this. Once a suitable site is located with the desired attributes, if it is not suitable zoned for commercial wood processing then we recommend applying for an amendment to the Zoning Bylaw following the proper procedure with the Strathcona Regional District.

Through conversations with subject matter experts, we have identified that it is of utmost importance to gain public support for amendments, so we therefore recommend that public discourse around value-added wood processing and site locations should begin as the site is being identified.

If it is likely or desired for multiple sites to be rezoned to allow for wood processing, we recommend taking the longer-term approach of submitting a proposal to redraft the entire Zoning Bylaw to allow for more appropriate zoning of land for these purposes.

### **4. Pursue & promote Scenario 1: Existing Mill & Kiln → Buy Moulder & Storage.**

Of the four *Highways* analyzed in this report, this scenario is assessed to be the most likely to occur and presents the least risk. We therefore recommend pursuing and promoting this scenario as a Co-op and community.

This scenario is the most likely to occur for several reasons, the most significant of which is that it builds off of what already exists in the community. Furthermore, Ron Wolda, Kenny Sananin, Richard Andrews and Paul Wolda have all expressed interest in being a part of this.

Financially, this scenario is projected to be viable and the amount of debt to obtain through a mortgage is not unreasonably high. The assumptions used to model this scenario also assume four years of contract moulding, which allows time for the brand and business to be developed and provides a period to test if the business is viable before investing significant money. This period may in reality be shorter than four years, which would provide a shorter time to profitability.

#### **5. Adopt Scenario 2: Central Business if fundraising is possible.**

Of all the scenarios analyzed in this report, this scenario is assessed to be able to create the largest impact to the value-added sector on Cortes as it brings the necessary equipment and site to the community without relying on individuals to take the risk themselves. It also brings new business to those already operating mills and will realize the full value of the communal brand outlined in Recommendation #2. Finally, it also provides an ideal location to host community events, workshops or to open a shared makerspace, as described in Section 6.4.2, if desired.

However, while this scenario would have the greatest impact on the industry, it is the least financially viable if the land and equipment are purchased using a traditional mortgage or a community bond. Therefore, we recommend adopting this scenario only if the required capital can be fundraised through community donations and grants such that there is little to no interest or required payback. That is the only way in which this scenario is viable.

#### **6. Choose products based on market principles.**

Sales are primarily determined by consumer needs, consumer preferences and market dynamics. We therefore recommend that any value-added business on Cortes choose their products while considering market demand, timber supply from the Community Forest and consumer preferences. More detailed analysis of these factors should also be pursued.

#### **7. Align product pricing.**

We recommend that all mills on the Island align their pricing to support the development of the holistic Cortes brand. This will also be more conducive to fulfilling shared orders in the future.

#### **8. Develop relationships with CCEDA and CCIC**

As identified in Sections 2.5 and 2.6, there is much overlap between the analysis in this report and the missions of each of these organizations. Therefore, we recommend that as this sector develops, relationships with the CCEDA and CCIC are grown in conjunction with each other.

#### **9. Create Shared Makerspace and/or host workshops and events in the future.**

As seen in Section 6, the idea of a Shared Makerspace and central hub to host workshops, educational programs and events would have strong benefits in growing the industry but is not as financially feasible. We therefore recommend revisiting these endeavours, likely with appropriate funding from growing value-added businesses or grants, at some point in the future once wood processing is more established on Cortes.

#### **10. Attain more detailed business planning for any opportunity pursued.**

As mentioned previously, the analysis in this report is of too high of a level to pursue any opportunity with confidence. We therefore recommend that for any opportunity pursued, more detailed business planning and market research should be done to ensure all risks are mitigated sufficiently.

## 8.0 Next Steps

### 8.1 A Path Forward

Following the recommendations listed in Section 7 and the results of the analysis throughout this report, it appears there is a path forward that allows Value-added production to begin on Cortes relatively quickly. This path uses existing local equipment and expertise, coupled with a limited amount of off-island contract moulding. To follow this path, we recommend these next steps:

1. A more detailed business plan should be developed focused on Scenario 1 (Section 6.3.1) to ensure risks are identified and appropriately mitigated.
2. Pending the outcomes of this business plan, Ron Wolda increases milling operations on his present site while mentoring Kenny Sananin, Richard Andrews and Paul Wolda.
3. Simultaneously, the Community Forest Business Advisor is hired and begins to promote Ron's mill and other wood producers on Island while also developing the brand as a whole.

*Note: Much discussion must be had between this Advisor and the individual businesses prior to any external promotion.*

4. Small and medium volume moulding orders should be offered to Ellingsen Woods for drying and profiling. Larger orders should be contracted at a site off-island.  
*Note: During the first few years, some profiled inventory should be held as inventory under temporary shelter or structures at Ron's site to satisfy some level of demand.*
5. The Community Forest Business Advisor, in conjunction with the Co-op, millers and interested members of the public, locate a suitable site for processing operations. This process should include gathering public support and subsequent steps for rezoning.  
*Note: If possible, the Community Forest Business Advisory position should be extended for a few years, until a site is secured and the brand is established.*
6. Over the first few years, hopefully the value-added business on Cortes grows, orders increase, and the Community Forest Business Advisor position can help coordinate multiple mills filling larger orders and the contract moulding aspect.
7. Once a suitable site is secured, ideally Ron, Kenny, Richard and Paul are interested in purchasing the land, moulder and other associated equipment and storage to then begin moulding everything themselves as laid out in Scenario 1.  
*Note: This depends largely on the motivation of individuals and is not guaranteed, in which case the Co-op may need to adopt a different scenario should private initiatives fail to materialize.*

### 8.2 Technical Support

Especially in the start-up phase, the parties involved would benefit from guidance and technical expertise in the following areas:


- Best practices at the mill site.
- Grading and sorting to achieve maximum efficiency and recovery for target products.



- Importance of achieving consistent standardized lumber and timber sizing.
- Charting production and determining accurate cost of production for each specific product.
- Calculation of accurate recovery rates from logs to lumber.
- Industry standardized sizing by product.
- Marketing & sharing the story of Cortes Island wood.
- Determining market pricing by product.
- Overall approach to best business practices and basic invoicing systems.
- Customer relations including determining most appropriate product and grade.

## Appendix A

Pricing reports from Sawmill Sales Direct for Western Red Cedar and Douglas fir products

 <b>PRICE LIST</b> Western Red Cedar March 31, 2023 Full Dimension Band Sawn Green (All prices per lineal foot)					
TYPE	SIZE	PRICE	TYPE	SIZE	PRICE
1 X 1	ALL	\$ 0.70	4 X 4	#1	\$ 4.75
1 X 2	ALL	\$ 0.80	4 x 4	#2	\$ 4.00
1 X 3	ALL	\$ 0.90	4 X 6	ALL	\$ 7.15
1 X 4	ALL	\$ 1.15	4 X 8	ALL	\$ 11.00
1 X 6	ALL	\$ 1.70	4 X 10	ALL	\$ 15.00
1 X 8	ALL	\$ 2.70	4 X 12	ALL	\$ 18.00
1 X 10	ALL	\$ 3.75	4 x 14	ALL	\$ 25.50
1 X 12	ALL	\$ 4.40	4 x 16	ALL	\$ 33.50
1 1/4 X 4	ALL	\$ 1.60	5 X 5	ALL	\$ 11.00
1 1/4 X 6	ALL	\$ 2.60	6 X 6	ALL	\$ 13.00
1 1/4 x 6 S4S Decking	8' 10' & 12'	\$ 2.60	6 X 8	ALL	\$ 17.60
	14' & 16'	\$ 2.60	6 X 10	ALL	\$ 24.00
2 X 2	ALL	\$ 1.20	6 X 12	ALL	\$ 29.00
2 X 3	ALL	\$ 1.70	6 x 14	ALL	\$ 38.25
2 x 4	#1	\$ 1.95	6 x 16	ALL	\$ 47.00
2 x 4	#2	\$ 1.75	8 X 8	ALL	\$ 22.00
2 x 4 S4S Decking (1 3/4 x 3 3/4)	8' 10' & 12'	\$ 1.95	8 X 10	ALL	\$ 33.00
	14' & 16'	\$ 2.34	8 x 12	ALL	\$ 39.00
2 X 6	#1	\$ 3.45	8 x 14	ALL	\$ 58.00
2 x 6	#2	\$ 2.45	8 x 16	ALL	\$ 69.00
2 X 6 S4S DECKING (1 3/4 X 5 3/4)	8' 10' 12'	\$ 3.45	10 X 10	ALL	\$ 39.00
	14' & 16'	\$ 4.00	10 x 12	ALL	\$ 49.00
2 X 8	#1	\$ 5.50	10 x 14	ALL	\$ 72.00
2 x 8	#2	\$ 4.25	10 x 16	ALL	\$ 88.00
2 X 10	#1	\$ 7.50	12 X 12	ALL	\$ 59.00
2 x 10	#2	\$ 5.50	12 x 14	ALL	\$ 87.00
2 X 12	#1	\$ 8.80	12 x 16	ALL	\$ 104.00
2 x 12	#2	\$ 6.75	14 x 14	ALL	\$ 102.00
2 x 14	#1	\$ 12.50	14 x 16	ALL	\$ 120.00
2 x 16	#1	\$ 15.50	16 X 16	ALL	\$ 138.00
3 X 3	ALL	\$ 4.40			
3 x 4	ALL	\$ 2.95			
3 x 6	ALL	\$ 5.17			
3 x 8	ALL	\$ 8.25			
3 x 10	ALL	\$ 11.25			
3 X 12	ALL	\$ 13.20			
3 x 14	ALL	\$ 19.00			
3 x 16	ALL	\$ 23.50			

Channel Siding WRC:	
1 x 6	\$3.00
1 x 8	\$4.00
minimum cut amounts apply	

**NOTES:**

FOHC add 25%. Overlength charge of 20% after 14'. Planed wood, add \$0.20 to LF price (set up fee's may apply)

Prices are subject to change without notice. 25% restocking fee on all returns.

No Returns or cancelations on custome orders once confirmed. All prices subject to change without notice

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**PRICE LIST**

Douglas Fir

March 31, 2023

Full Dimension Band Sawn Green (All prices per lineal foot)

TYPE	SIZE	PRICE	TYPE	SIZE	PRICE
1 X 1	ALL	\$ 0.40	4 X 4	#1	\$3.00
1 X 2	ALL	\$ 0.50	4 X 6	ALL	\$5.00
1 X 3	ALL	\$ 0.60	4 X 8	ALL	\$6.80
1 X 4	ALL	\$ 0.70	4 X 10	ALL	\$10.00
1 X 6	ALL	\$ 1.20	4 X 12	ALL	\$14.50
1 X 8	ALL	\$ 1.70	4 x 14	ALL	\$20.00
1 X 10	ALL	\$ 2.50	4 x 16	ALL	\$25.00
1 X 12	ALL	\$ 3.50	5 X 5	ALL	\$6.50
1 1/4 X 4	ALL	\$ 1.20	6 X 6	ALL	\$8.00
1 1/4 X 6	ALL	\$ 1.85	6 X 8	ALL	\$10.50
2 X 2	ALL	\$ 0.80	6 X 10	ALL	\$15.00
2 X 3	ALL	\$ 1.20	6 X 12	ALL	\$22.00
2 X 4	#1	\$ 1.40	6 x 14	ALL	\$30.00
2 X 6	#1	\$ 2.40	6 x 16	ALL	\$34.00
2 X 6 S4S DECKING (1 3/4 X 5 3/4)	8' 10' 12' 14' & 16'	\$ 2.50	8 X 8	ALL	\$16.00
2 X 8	#1	\$ 3.40	8 X 10	ALL	\$22.00
2 X 10	#1	\$ 5.00	8 x 12	ALL	\$29.00
2 X 12	#1	\$ 7.00	8 x 14	ALL	\$40.00
2 x 14	#1	\$ 10.00	8 x 16	ALL	\$46.00
2 x 16	#1	\$ 11.00	10 X 10	ALL	\$28.00
3 X 3	ALL	\$ 2.75	10 x 12	ALL	\$36.00
3 x 4	ALL	\$ 2.10	10 x 14	ALL	\$51.00
3 x 6	ALL	\$ 3.60	10 x 16	ALL	\$65.00
3 x 8	ALL	\$ 5.10	12 X 12	ALL	\$43.00
3 x 10	ALL	\$ 7.50	12 x 14	ALL	\$60.00
3 X 12	ALL	\$ 10.50	12 x 16	ALL	\$79.00
3 x 14	ALL	\$ 15.00	14 x 14	ALL	\$71.00
3 x 16	ALL	\$ 20.00	14 x 16	ALL	\$91.00
			16 X 16	ALL	\$105.00

**NOTES:**

FOHC add 25%. Overlength charge of 20% after 14'. Planed wood, add \$0.20 to LF price (set up fee's may apply)

Prices are subject to change without notice. 25% restocking fee on all returns.

No Returns or cancelations on custome orders once confirmed. All prices subject to change without notice

5204 Brenton - Page Road Ladysmith, BC •Tel: (250) 245-2499 •Fax: (250) 245-2491

i) Summary of inputs for Scenario 1

**INPUTS**

**Timing**

Purchase Telehandler	Year 1	Variable
Purchase Land	Year 4	Variable
Purchase Other Equipment & Buildings	Year 4	Variable

**Sales**

Year 1 BF/Year		
BF/Day	1,200	Estimate
Operating Days/Year	175	Estimate
Year 1 Product Mix		
Cedar	35%	Estimate
Fir	45%	Estimate
Hemlock	20%	Estimate
Inventory (% of each log)	5%	Variable
Max. Combined Inventory	75,000	Variable

**Investments & Equipment**

Land	\$ 500,000	See Land Options
Telehandler	\$ 60,000	Estimate
Other Equipment & Buildings		
Moulder	\$ 150,000	Estimate
Dumping Trailer	\$ 7,000	Estimate
Buildings & Storage	\$ 170,000	Estimate

**Rates**

Inflation	2.00%	Estimate
Recovery Rate (BF)	250	Industry Standard
Max. Cedar Logging (m3)	216	From CFGP
Max. Cedar Logging (BF)	54,000	
Scaling Cost (m3)	\$ 4.00	Estimate
Credit Card Fees	2.00%	Industry Standard
% Credit Card Sales	75%	Estimate

**Sales, Log Costs & Productivity**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Average Sales Price (\$/BF)</b>										
Rough Boards										
Cedar	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.71	\$ 3.79	\$ 3.86	\$ 3.94	\$ 4.02	\$ 4.10	\$ 4.18
Fir	\$ 2.30	\$ 2.35	\$ 2.39	\$ 2.44	\$ 2.49	\$ 2.54	\$ 2.59	\$ 2.64	\$ 2.69	\$ 2.75
Hemlock	\$ 1.40	\$ 1.43	\$ 1.46	\$ 1.49	\$ 1.52	\$ 1.55	\$ 1.58	\$ 1.61	\$ 1.64	\$ 1.67
Moulded Products										
Cedar	\$ 4.70	\$ 4.79	\$ 4.89	\$ 4.99	\$ 5.09	\$ 5.19	\$ 5.29	\$ 5.40	\$ 5.51	\$ 5.62
Fir	\$ 3.30	\$ 3.37	\$ 3.43	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.72	\$ 3.79	\$ 3.87	\$ 3.94
Hemlock	\$ 2.70	\$ 2.75	\$ 2.81	\$ 2.87	\$ 2.92	\$ 2.98	\$ 3.04	\$ 3.10	\$ 3.16	\$ 3.23
% Moulded Products	20%	25%	30%	35%	40%	40%	40%	40%	40%	Variable
<b>Average Log Cost (\$/BF)</b>										
Cedar	\$ 1.20	\$ 1.22	\$ 1.25	\$ 1.27	\$ 1.30	\$ 1.32	\$ 1.35	\$ 1.38	\$ 1.41	\$ 1.43
Fir	\$ 0.60	\$ 0.61	\$ 0.62	\$ 0.64	\$ 0.65	\$ 0.66	\$ 0.68	\$ 0.69	\$ 0.70	\$ 0.72
Hemlock	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.37	\$ 0.38
<b>Sales Growth</b>		15.00%	12.00%	10.00%	4.00%	2.00%	2.00%	2.00%	2.00%	Variable
<b>Annual Productivity (BF)</b>	210,000	241,500	270,480	297,528	309,429	315,618	321,930	328,369	334,936	341,635
Cedar	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
Fir	114,000	139,200	162,384	184,022	193,543	198,494	203,544	208,695	213,949	219,308
Hemlock	42,000	48,300	54,096	59,506	61,886	63,124	64,386	65,674	66,987	68,327
<b>BF/Day</b>	1,200	1,380	1,546	1,700	1,768	1,804	1,840	1,876	1,914	1,952
<b>Annual Inventory Additions (BF)</b>	0	0	0	14,876	15,471	15,781	16,097	16,418	16,747	17,082
Cedar	0	0	0	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Fir	0	0	0	9,201	9,677	9,925	10,177	10,435	10,697	10,965
Hemlock	0	0	0	2,975	3,094	3,156	3,219	3,284	3,349	3,416
<b>Cumulative Inventory (BF)</b>	0	0	0	14,876	30,348	46,129	62,225	78,644	95,390	112,472
<b>Annual Sales (BF)</b>										
Cedar	54,000	54,000	54,000	51,300	51,300	51,300	51,300	51,300	51,300	51,300
Fir	114,000	139,200	162,384	174,821	183,866	188,569	193,367	198,260	203,251	208,342
Hemlock	42,000	48,300	54,096	56,530	58,792	59,967	61,167	62,390	63,638	64,911
<b>Total</b>	210,000	241,500	270,480	282,652	293,958	299,837	305,634	311,950	318,189	324,553

**Expenses**

Pre-Moulder & Storage		
Scaling (BF)	\$ 0.016	See Rates
Contract Moulding (BF)	\$ 0.65	Estimate
Transportation (BF)	\$ 0.25	Estimate
Repairs & Maintenance	\$ 10,500	See Repairs & Maintenance
Marketing	\$ 30,000	Estimate
Admin	\$ 20,000	Estimate
Utilities	\$ 4,000	Estimate
Contractor KMs	\$ 1,000	Estimate
Equipment & Small Tools	\$ 10,000	Estimate
Fuel	\$ 4,200	\$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 2,500	Estimate
Safety & Equipment	\$ 1,000	Estimate
Miscellaneous	\$ 2,000	Estimate
Property Tax	\$ 4,000	Estimate (Post-Land)

Post-Moulder & Storage		
Scaling (BF)	\$ 0.016	See Rates
Contract Moulding (\$/BF)	\$ -	Incl. in Labour
Transportation (BF)	\$ 0.10	Most paid by customer
Repairs & Maintenance	\$ 14,000	See Repairs & Maintenance
Marketing	\$ 30,000	Estimate
Admin	\$ 30,000	Estimate
Utilities	\$ 5,000	Estimate
Contractor KMs	\$ 1,000	Estimate
Equipment & Small Tools	\$ 10,000	Estimate
Fuel	\$ 4,200	\$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 3,000	Estimate
Safety & Equipment	\$ 1,000	Estimate
Miscellaneous	\$ 2,000	Estimate
Property Tax	\$ 4,000	Estimate (Post-Land)

**Log Cost**

	Market (m3)	\$/BF	
Cedar	\$ 300	\$ 1.20	From CFGP (Dec 22)
Fir	\$ 150	\$ 0.60	From CFGP (Dec 22)
Hemlock	\$ 80	\$ 0.32	From CFGP (Dec 22)

**Labour**

Pre-Moulder		
# Employees	3	
Wage	\$ 50.00	
Hours per day	8	
Days per year	200	
Post-Moulder		
# Employees	4	
Wage	\$ 50.00	
Hours per day	8	
Days per year	200	
Wage Overhead	18%	

**Repairs & Maintenance**

Mill	3,500	Estimate
Telehandler	3,500	Estimate
Kin	3,500	Estimate
Moulder	3,500	Estimate

**Land Options**

Buy	\$ 500,000	From Realtor
Rent/Year	\$ 50,000	From Realtor
Donated	\$ -	

**Financing**

Borrow Amount		
Telehandler	\$ 60,000	Total amount of purchases
Land	\$ 500,000	Total amount of purchases
Other Equipment & Buildings	\$ 327,000	Total amount of purchases

**Community Bond Rate**

% of Investment	90%	Variable
Interest	4.00%	Estimate

Telehandler		
Amount Raised	\$ 54,000	
Raise Year	Year 1	See Timing
Payback Year	Year 10	Variable
Land		
Amount Raised	\$ 450,000	
Raise Year	Year 4	See Timing
Payback Year	Year 10	Variable

Other Equipment		
Amount Raised	\$ 294,300	
Raise Year	Year 4	See Timing
Payback Year	Year 10	Variable

**Mortgage**

Downpayment %	20%	Variable
Telehandler		
Downpayment \$	\$ 12,000	
Amount Borrowed	\$ 48,000	
Borrow Year	Year 1	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable
Land		
Downpayment \$	\$ 100,000	
Amount Borrowed	\$ 400,000	
Borrow Year	Year 4	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable
Other Equipment		
Downpayment \$	\$ 65,400	
Amount Borrowed	\$ 261,600	
Borrow Year	Year 4	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable

ii) Financial forecast for Scenario 1 under the Mortgage option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>606,000</b>	<b>609,347</b>	<b>706,000</b>	<b>616,320</b>	<b>600,050</b>	<b>614,674</b>	<b>600,148</b>	<b>607,028</b>	<b>1,026,363</b>	<b>1,006,210</b>

<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	48,000	0	0	661,600	0	0	0	0	0	0
<b>Total Financing</b>	<b>48,000</b>	<b>0</b>	<b>0</b>	<b>661,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>TOTAL REVENUES</b>	<b>604,000</b>	<b>609,347</b>	<b>706,000</b>	<b>1,477,820</b>	<b>600,050</b>	<b>614,674</b>	<b>600,148</b>	<b>607,028</b>	<b>1,026,363</b>	<b>1,006,210</b>
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**EXPENSES**

<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,435	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,146</b>	<b>217,276</b>	<b>225,339</b>	<b>233,712</b>	<b>242,410</b>	<b>261,444</b>	<b>260,828</b>

<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Telehandler	60,000	0	0	0	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>627,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Operating Costs</b>											
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	<i>Majority of labour starts and takes over from the contract moulding costs</i>
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600	
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466	
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0	
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163	<i>All transportation costs paid by customer once after moulder is purchased</i>
Repairs & Maintenance	10,500	10,710	10,924	14,000	14,280	14,566	14,857	15,154	15,457	15,766	<i>Increase once moulder is purchased</i>
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	<i>Possibly able to be offset through grant funding</i>
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785	<i>Possibly able to be offset through grant funding</i>
Utilities	4,000	4,080	4,162	5,000	5,100	5,202	5,306	5,412	5,520	5,631	<i>Increase once moulder is purchased</i>
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019	
Insurance	2,500	2,550	2,601	3,000	3,060	3,121	3,184	3,247	3,312	3,378	<i>Increase once moulder is purchased</i>
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868	
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505	<i>Only kicks in once land is purchased</i>
<b>Total Operating Costs</b>	<b>464,710</b>	<b>477,209</b>	<b>600,691</b>	<b>629,608</b>	<b>627,108</b>	<b>630,188</b>	<b>633,240</b>	<b>638,368</b>	<b>650,628</b>	<b>642,706</b>	

<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	1,920	1,920	28,384	28,384	28,384	28,384	28,384	28,384	28,384
Interest	0	3,058	2,933	23,450	43,107	41,262	39,417	37,572	35,727	33,882
<b>Total Financing</b>	<b>0</b>	<b>4,978</b>	<b>4,853</b>	<b>51,834</b>	<b>71,491</b>	<b>69,646</b>	<b>67,801</b>	<b>66,956</b>	<b>64,111</b>	<b>62,266</b>

<b>TOTAL EXPENSE</b>	<b>661,360</b>	<b>649,226</b>	<b>692,228</b>	<b>1,609,482</b>	<b>615,963</b>	<b>625,179</b>	<b>634,754</b>	<b>644,719</b>	<b>695,083</b>	<b>695,691</b>
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<b>TOTAL PROFIT (LOSS)</b>	<b>(67,670)</b>	<b>7,109</b>	<b>64,622</b>	<b>(130,863)</b>	<b>64,087</b>	<b>69,602</b>	<b>116,395</b>	<b>142,307</b>	<b>170,290</b>	<b>199,387</b>
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<i>Cumulative Cash Flow</i>	<i>(56,670)</i>	<i>(49,561)</i>	<i>15,061</i>	<i>(115,502)</i>	<i>(50,915)</i>	<i>38,587</i>	<i>153,981</i>	<i>296,288</i>	<i>466,568</i>	<i>665,925</i>
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**MORTGAGE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Telehandler</b>										
Opening Balance	0	48,000	46,080	44,160	42,240	40,320	38,400	36,480	34,560	32,640
Additions	48,000	0	0	0	0	0	0	0	0	0
Repayments	0	1,920	1,920	1,920	1,920	1,920	1,920	1,920	1,920	1,920
Closing Balance	48,000	46,080	44,160	42,240	40,320	38,400	36,480	34,560	32,640	30,720
Interest	0	3,058	2,933	2,808	2,683	2,558	2,434	2,309	2,184	2,059
<b>Land</b>										
Opening Balance	0	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000
Additions	0	0	0	400,000	0	0	0	0	0	0
Repayments	0	0	0	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Closing Balance	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000	288,000
Interest	0	0	0	12,480	24,440	23,400	22,360	21,320	20,280	19,240
<b>Moulder &amp; Storage</b>										
Opening Balance	0	0	0	0	251,136	240,672	230,208	219,744	209,280	198,816
Additions	0	0	0	261,660	0	0	0	0	0	0
Repayments	0	0	0	10,464	10,464	10,464	10,464	10,464	10,464	10,464
Closing Balance	0	0	0	251,136	240,672	230,208	219,744	209,280	198,816	188,352
Interest	0	0	0	8,162	15,984	15,304	14,623	13,943	13,263	12,583
<b>Total</b>										
Opening Balance	0	48,000	46,080	44,160	677,376	648,992	620,608	592,224	563,840	535,456
Additions	48,000	0	0	661,600	0	0	0	0	0	0
Repayments	0	1,920	1,920	28,384	28,384	28,384	28,384	28,384	28,384	28,384
Closing Balance	48,000	46,080	44,160	677,376	648,992	620,608	592,224	563,840	535,456	507,072
Interest	0	3,058	2,933	23,450	43,107	41,262	39,417	37,572	35,727	33,882

iii) Financial forecast for Scenario 1 under the Bond Raise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>REVENUES</b>											
<b>Sales</b>											
Rough Boards											
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747	
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604	
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162	
Moulded Products											
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260	
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665	
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780	
<b>Total Sales</b>	<b>656,680</b>	<b>656,347</b>	<b>706,860</b>	<b>616,320</b>	<b>660,550</b>	<b>614,674</b>	<b>660,146</b>	<b>667,028</b>	<b>1,026,363</b>	<b>1,065,216</b>	
<b>Financing</b>											
Fundraise	0	0	0	0	0	0	0	0	0	0	
Community Bond Raise	54,000	0	0	744,300	0	0	0	0	0	0	
Mortgage	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>54,000</b>	<b>0</b>	<b>0</b>	<b>744,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL REVENUES</b>	<b>610,680</b>	<b>656,347</b>	<b>706,860</b>	<b>1,660,620</b>	<b>660,550</b>	<b>614,674</b>	<b>660,146</b>	<b>667,028</b>	<b>1,026,363</b>	<b>1,065,216</b>	
<b>EXPENSES</b>											
<b>Log Costs</b>											
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442	
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,266	
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130	
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,146</b>	<b>217,276</b>	<b>225,339</b>	<b>233,712</b>	<b>242,410</b>	<b>261,444</b>	<b>260,838</b>	
<b>Investments &amp; Equipment</b>											
Land	0	0	0	500,000	0	0	0	0	0	0	
Telehandler	60,000	0	0	0	0	0	0	0	0	0	
Moulder	0	0	0	150,000	0	0	0	0	0	0	
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0	
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0	
<b>Total Investments &amp; Equipment</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>827,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Operating Costs</b>											
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	<i>Majority of labour starts and takes over from the contract moulding costs</i>
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600	
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466	
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0	
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163	<i>All transportation costs paid by customer once after moulder is purchased</i>
Repairs & Maintenance	10,500	10,710	10,924	14,000	14,280	14,566	14,857	15,154	15,457	15,766	<i>Increase once moulder is purchased</i>
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	<i>Possibly able to be offset through grant funding</i>
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785	<i>Possibly able to be offset through grant funding</i>
Utilities	4,000	4,080	4,162	5,000	5,100	5,202	5,306	5,412	5,520	5,631	<i>Increase once moulder is purchased</i>
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019	
Insurance	2,500	2,550	2,601	3,000	3,060	3,121	3,184	3,247	3,312	3,378	<i>Increase once moulder is purchased</i>
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868	
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505	<i>Only kicks in once land is purchased</i>
<b>Total Operating Costs</b>	<b>464,710</b>	<b>477,209</b>	<b>500,691</b>	<b>623,603</b>	<b>627,198</b>	<b>630,168</b>	<b>633,240</b>	<b>636,363</b>	<b>639,628</b>	<b>642,766</b>	
<b>Financing</b>											
Community Bond Raise											
Payback	0	0	0	0	0	0	0	0	0	798,300	
Interest	0	0	0	0	0	0	0	0	0	31,932	
Mortgage											
Repayments	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>830,232</b>	
<b>TOTAL EXPENSES</b>	<b>661,360</b>	<b>644,201</b>	<b>667,366</b>	<b>1,656,646</b>	<b>744,472</b>	<b>765,827</b>	<b>766,962</b>	<b>776,789</b>	<b>790,672</b>	<b>1,633,627</b>	
<b>TOTAL PROFIT (LOSS)</b>	<b>(50,670)</b>	<b>12,086</b>	<b>66,476</b>	<b>3,671</b>	<b>196,078</b>	<b>166,146</b>	<b>166,186</b>	<b>200,289</b>	<b>294,301</b>	<b>(68,411)</b>	
<i>Cumulative Cash Flow</i>	<i>(50,670)</i>	<i>(38,584)</i>	<i>30,891</i>	<i>34,862</i>	<i>170,940</i>	<i>330,088</i>	<i>513,284</i>	<i>721,547</i>	<i>955,937</i>	<i>387,329</i>	

iv) Financial forecast for Scenario 1 under the Fundraise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>656,960</b>	<b>699,347</b>	<b>766,960</b>	<b>816,520</b>	<b>860,650</b>	<b>914,674</b>	<b>960,146</b>	<b>997,026</b>	<b>1,026,363</b>	<b>1,065,216</b>
<b>Financing</b>										
Fundraise	60,000	0	0	827,000	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>827,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>616,960</b>	<b>699,347</b>	<b>766,960</b>	<b>1,643,520</b>	<b>860,650</b>	<b>914,674</b>	<b>960,146</b>	<b>997,026</b>	<b>1,026,363</b>	<b>1,065,216</b>
<b>EXPENSES</b>										
<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,146</b>	<b>217,276</b>	<b>225,338</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>
<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Telehandler	60,000	0	0	0	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>827,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Costs</b>										
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163
Repairs & Maintenance	10,500	10,710	10,924	14,000	14,280	14,566	14,857	15,154	15,457	15,766
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785
Utilities	4,000	4,080	4,162	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019
Insurance	2,500	2,550	2,601	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505
<b>Total Operating Costs</b>	<b>484,710</b>	<b>477,209</b>	<b>500,591</b>	<b>628,503</b>	<b>627,196</b>	<b>630,186</b>	<b>633,240</b>	<b>636,363</b>	<b>639,628</b>	<b>642,766</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENSES</b>	<b>691,360</b>	<b>644,261</b>	<b>697,266</b>	<b>1,656,046</b>	<b>744,472</b>	<b>765,827</b>	<b>769,962</b>	<b>778,763</b>	<b>790,972</b>	<b>803,596</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(44,670)</b>	<b>12,086</b>	<b>69,476</b>	<b>69,071</b>	<b>136,076</b>	<b>169,146</b>	<b>163,196</b>	<b>208,263</b>	<b>234,391</b>	<b>261,624</b>
<i>Cumulative Cash Flow</i>	<i>(44,670)</i>	<i>(32,584)</i>	<i>36,891</i>	<i>123,562</i>	<i>259,640</i>	<i>418,788</i>	<i>601,984</i>	<i>810,247</i>	<i>1,044,637</i>	<i>1,306,261</i>

**INPUTS**

**Timing**

Purchase Land	Year 1	Variable
Purchase Other Equipment & Buildings	Year 1	Variable
Sell Kiln & Moulder	Year 9	Variable

**Sales**

Year 1 BF/ Year		
BF/ Day	1,200	Estimate
Operating Days/ Year	175	Estimate
Year 1 Product Mix		
Cedar	35%	Estimate
Fir	45%	Estimate
Hemlock	20%	Estimate
Inventory (% of each log)	5%	Variable
Max. Combined Inventory (BF)	75,000	Variable
Sales Commission	15%	Variable
Year 1 Annual Usage Revenue	\$ 10,000	Estimate (Based on Productivity)

**Investments & Equipment**

Land	\$ 500,000	See Land Options
Other Equipment & Buildings		
Telehandler	\$ 60,000	Estimate
Kiln	\$ 50,000	Estimate
Moulder	\$ 150,000	Estimate
Dumping Trailer	\$ 7,000	Estimate
Building & Heated Storage	\$ 200,000	Estimate

**Rates**

Inflation	2.00%	Estimate
Recovery Rate (BF)	250	Industry Standard
Max. Cedar Logging (m3)	216	From CFGP
Max. Cedar Logging (BF)	54,000	
Credit Card Fees	2.00%	Industry Standard
% Credit Card Sales	75%	Estimate

**Expenses**

General Manager	\$ 75,000	Estimate
Utilities	\$ 2,500	Estimate
Office/Miscellaneous	\$ 10,000	Estimate

**Land Options**

Buy	\$ 500,000	From Realtor
Rent/Year	\$ 50,000	From Realtor
Donated	\$ -	

**Equipment Sale**

Initial Value	\$ 207,000	Kiln, Moulder & Dumping Trailer
Annual Depreciation %	5.0%	Estimate
Annual Depreciation \$	\$ 10,350	
Value in Sale Year	\$ 124,200	See Timing
Buyer Usage Fee %	50%	Assumes the eventual buyer will have paid this amount of total usage fees
Buyer Cumulative Usage Fee	\$ 40,000	
Total Sale Price	\$ 84,200	

**Financing**

Borrow Amount		
Land	\$ 500,000	Total amount of purchases
Other Equipment & Buildings	\$ 467,000	Total amount of purchases

**Community Bond Raise**

% of Investment	90%	Variable
Interest	4.00%	Estimate
Land		
Amount Raised	\$ 450,000	
Raise Year	Year 1	See Timing
Payback Year	Year 10	Variable

**Mortgage**

Downpayment %	20%	Variable
Land		
Downpayment \$	\$ 100,000	
Amount Borrowed	\$ 400,000	
Borrow Year	Year 1	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable
Other Equipment		
Downpayment \$	\$ 93,400	
Amount Borrowed	\$ 373,600	
Borrow Year	Year 1	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable

**Sales & Productivity**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Average Sales Price (\$/BF)											
Rough Boards											
Cedar	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.71	\$ 3.79	\$ 3.86	\$ 3.94	\$ 4.02	\$ 4.10	\$ 4.18	
Fir	\$ 2.30	\$ 2.35	\$ 2.39	\$ 2.44	\$ 2.49	\$ 2.54	\$ 2.59	\$ 2.64	\$ 2.69	\$ 2.75	
Hemlock	\$ 1.40	\$ 1.43	\$ 1.46	\$ 1.49	\$ 1.52	\$ 1.55	\$ 1.58	\$ 1.61	\$ 1.64	\$ 1.67	
Moulded Products											
Cedar	\$ 4.70	\$ 4.79	\$ 4.89	\$ 4.99	\$ 5.09	\$ 5.19	\$ 5.29	\$ 5.40	\$ 5.51	\$ 5.62	
Fir	\$ 3.30	\$ 3.37	\$ 3.43	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.72	\$ 3.79	\$ 3.87	\$ 3.94	
Hemlock	\$ 2.70	\$ 2.75	\$ 2.81	\$ 2.87	\$ 2.92	\$ 2.98	\$ 3.04	\$ 3.10	\$ 3.16	\$ 3.23	
% Moulded Products	20%	25%	30%	35%	40%	40%	40%	40%	40%	40%	Variable
Sales Growth		15.00%	12.00%	10.00%	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%	Variable
Annual Productivity (BF)	210,000	241,500	270,480	297,528	309,429	315,618	321,930	328,369	334,936	341,635	Annual productivity based on sales growth and inventory
Cedar	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	35% of production up to a maximum logging rate
Fir	114,000	139,200	162,384	184,022	193,543	198,494	203,544	208,695	213,949	219,308	45% of production plus any additional production from lower cedar supply
Hemlock	42,000	48,300	54,096	59,506	61,886	63,124	64,386	65,674	66,987	68,327	20% of production
BF/Day	1,200	1,380	1,546	1,700	1,768	1,804	1,840	1,876	1,914	1,952	
Annual Inventory Additions (BF)	10,500	12,075	13,524	14,876	15,471	15,781	16,097	16,418	16,747	17,082	Additions to the inventory each year, up to a pre-determined maximum amount
Cedar	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	
Fir	5,700	6,960	8,119	9,201	9,677	9,925	10,177	10,435	10,697	10,965	
Hemlock	2,100	2,415	2,705	2,975	3,094	3,156	3,219	3,284	3,349	3,416	
Cumulative Inventory (BF)	10,500	22,575	36,099	50,975	66,447	82,228	98,324	114,743	131,489	148,571	Up to a pre-determined amount
Annual Sales (BF)											
Cedar	51,300	51,300	51,300	51,300	51,300	51,300	51,300	51,300	51,300	51,300	Productivity less inventory
Fir	108,300	132,240	154,265	174,821	183,866	188,569	193,367	198,260	203,251	208,342	Productivity less inventory
Hemlock	39,900	45,885	51,391	56,530	58,792	59,967	61,167	62,390	63,638	64,911	Productivity less inventory
Total	199,500	229,425	256,956	282,652	293,958	299,837	305,834	311,950	318,189	324,553	



vi) Financial forecast for Scenario 2 under the Mortgage option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	21,546	20,603	19,614	18,578	17,492	17,841	18,198	18,562	18,933	0
Fir	29,891	34,901	38,760	41,603	41,198	43,097	45,077	47,142	49,295	0
Hemlock	6,703	7,371	7,860	8,189	8,018	8,342	8,679	9,030	9,395	0
Moulded Products										
Cedar	7,233	9,222	11,288	13,433	15,659	15,972	16,292	16,618	16,950	0
Fir	10,722	16,692	23,834	32,142	39,406	41,223	43,117	45,092	47,152	0
Hemlock	3,232	4,739	6,496	8,504	10,309	10,726	11,159	11,610	12,079	0
<b>Total Sales</b>	<b>79,327</b>	<b>98,629</b>	<b>107,893</b>	<b>122,448</b>	<b>132,063</b>	<b>137,201</b>	<b>142,622</b>	<b>148,054</b>	<b>163,804</b>	<b>0</b>
<b>Other Revenues</b>										
Annual Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Labour Subsidy	0	0	0	0	0	0	0	0	0	0
<b>Total Other Revenue</b>	<b>10,000</b>	<b>11,200</b>	<b>12,320</b>	<b>12,813</b>	<b>13,069</b>	<b>13,330</b>	<b>13,597</b>	<b>13,869</b>	<b>84,200</b>	<b>0</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	773,600	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>773,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>862,827</b>	<b>104,729</b>	<b>120,173</b>	<b>135,261</b>	<b>145,162</b>	<b>160,632</b>	<b>166,119</b>	<b>161,923</b>	<b>238,004</b>	<b>0</b>
<b>EXPENSES</b>										
<b>Investments &amp; Equipment</b>										
Land	500,000	0	0	0	0	0	0	0	0	0
Other Equipment	467,000	0	0	0	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>967,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Costs</b>										
Executive Director	75,000	76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	0
Utilities	2,500	2,650	2,601	2,653	2,706	2,760	2,815	2,872	2,929	0
Office/Miscellaneous	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	0
Credit Card Fees	2,993	3,441	3,854	4,240	4,409	4,498	4,588	4,679	4,773	0
<b>Total Operating Costs</b>	<b>90,493</b>	<b>92,801</b>	<b>94,889</b>	<b>97,006</b>	<b>99,122</b>	<b>101,106</b>	<b>103,127</b>	<b>105,186</b>	<b>107,288</b>	<b>0</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	30,944	30,944	30,944	30,944	30,944	30,944	30,944	16,000	16,000
Interest	0	49,278	47,267	45,256	43,244	41,233	39,222	37,210	18,200	17,160
<b>Total Financing</b>	<b>0</b>	<b>80,222</b>	<b>78,211</b>	<b>76,200</b>	<b>74,188</b>	<b>72,177</b>	<b>70,166</b>	<b>68,154</b>	<b>34,200</b>	<b>33,160</b>
<b>TOTAL EXPENSES</b>	<b>1,067,493</b>	<b>172,814</b>	<b>173,100</b>	<b>173,206</b>	<b>173,310</b>	<b>173,282</b>	<b>173,282</b>	<b>173,340</b>	<b>141,488</b>	<b>33,160</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(194,666)</b>	<b>(68,084)</b>	<b>(52,927)</b>	<b>(38,034)</b>	<b>(28,169)</b>	<b>(22,700)</b>	<b>(17,179)</b>	<b>(11,421)</b>	<b>98,511</b>	<b>(33,160)</b>
<i>Cumulative Cash Flow</i>	<i>(194,566)</i>	<i>(262,750)</i>	<i>(315,678)</i>	<i>(353,712)</i>	<i>(381,871)</i>	<i>(404,621)</i>	<i>(421,794)</i>	<i>(433,214)</i>	<i>(336,703)</i>	<i>(369,863)</i>

*Assumes mortgage on equipment is transferred to purchaser with sale*

**MORTGAGE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Land</b>										
Opening Balance	0	400,000	384,000	368,000	352,000	336,000	320,000	304,000	288,000	272,000
Additions	400,000	0	0	0	0	0	0	0	0	0
Repayments	0	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Closing Balance	400,000	384,000	368,000	352,000	336,000	320,000	304,000	288,000	272,000	256,000
Interest	0	25,480	24,440	23,400	22,360	21,320	20,280	19,240	18,200	17,160
<b>Other Equipment</b>										
Opening Balance	0	373,600	358,656	343,712	328,768	313,824	298,880	283,936	268,992	254,048
Additions	373,600	0	0	0	0	0	0	0	0	0
Repayments	0	14,944	14,944	14,944	14,944	14,944	14,944	14,944	14,944	14,944
Closing Balance	373,600	358,656	343,712	328,768	313,824	298,880	283,936	268,992	254,048	239,104
Interest	0	23,798	22,827	21,856	20,884	19,913	18,942	17,970	16,999	16,027
<b>Total</b>										
Opening Balance	0	773,600	742,656	711,712	680,768	649,824	618,880	587,936	556,992	526,048
Additions	773,600	0	0	0	0	0	0	0	0	0
Repayments	0	30,944	30,944	30,944	30,944	30,944	30,944	30,944	30,944	30,944
Closing Balance	773,600	742,656	711,712	680,768	649,824	618,880	587,936	556,992	526,048	495,104
Interest	0	49,278	47,267	45,256	43,244	41,233	39,222	37,210	35,199	33,187

vii) Financial forecast for Scenario 2 under the Bond Raise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	21,546	20,603	19,614	18,578	17,492	17,841	18,198	18,562	18,933	0
Fir	29,891	34,901	38,760	41,603	41,198	43,097	45,077	47,142	49,295	0
Hemlock	6,703	7,371	7,860	8,189	8,018	8,342	8,679	9,030	9,395	0
Moulded Products										
Cedar	7,233	9,222	11,288	13,433	15,659	15,972	16,292	16,618	16,950	0
Fir	10,722	16,692	23,834	32,142	39,406	41,223	43,117	45,092	47,152	0
Hemlock	3,232	4,739	6,496	8,504	10,309	10,726	11,159	11,610	12,079	0
<b>Total Sales</b>	<b>79,327</b>	<b>98,629</b>	<b>107,868</b>	<b>122,448</b>	<b>132,068</b>	<b>137,201</b>	<b>142,622</b>	<b>148,064</b>	<b>163,804</b>	<b>0</b>
<b>Other Revenue</b>										
Annual Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Labour Subsidy	0	0	0	0	0	0	0	0	0	0
<b>Total Other Revenue</b>	<b>10,000</b>	<b>11,200</b>	<b>12,320</b>	<b>12,813</b>	<b>13,069</b>	<b>13,330</b>	<b>13,597</b>	<b>13,869</b>	<b>84,200</b>	<b>0</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	870,300	0	0	0	0	0	0	0	0	0
Mortgage	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>870,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>999,627</b>	<b>104,729</b>	<b>120,173</b>	<b>135,261</b>	<b>145,137</b>	<b>150,532</b>	<b>156,119</b>	<b>161,933</b>	<b>238,004</b>	<b>0</b>
<b>EXPENSES</b>										
<b>Investments &amp; Equipment</b>										
Land	500,000	0	0	0	0	0	0	0	0	0
Other Equipment	467,000	0	0	0	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>967,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Costs</b>										
Executive Director	75,000	76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	0
Utilities	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	0
Office/Miscellaneous	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	0
Credit Card Fees	2,993	3,441	3,854	4,240	4,409	4,498	4,588	4,679	4,773	0
<b>Total Operating Costs</b>	<b>90,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,096</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,199</b>	<b>107,298</b>	<b>0</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	450,000
Interest	0	0	0	0	0	0	0	0	0	18,000
Mortgage										
Repayments	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>468,000</b>
<b>TOTAL EXPENSES</b>	<b>1,057,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,096</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,199</b>	<b>107,298</b>	<b>468,000</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(97,866)</b>	<b>12,038</b>	<b>25,283</b>	<b>38,165</b>	<b>46,029</b>	<b>49,427</b>	<b>52,992</b>	<b>56,734</b>	<b>130,711</b>	<b>(468,000)</b>
<i>Cumulative Cash Flow</i>	<i>(97,866)</i>	<i>(85,828)</i>	<i>(60,544)</i>	<i>(22,379)</i>	<i>23,650</i>	<i>73,077</i>	<i>126,070</i>	<i>182,804</i>	<i>313,515</i>	<i>(154,485)</i>

*Assumes mortgage on equipment is transferred to purchaser with sale*

viii) Financial forecast for Scenario 2 under the Fundraise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	21,546	20,603	19,614	18,578	17,492	17,841	18,198	18,562	18,933	0
Fir	29,891	34,901	38,760	41,603	41,198	43,097	45,077	47,142	49,295	0
Hemlock	6,703	7,371	7,860	8,189	8,018	8,342	8,679	9,030	9,395	0
Moulded Products										
Cedar	7,233	9,222	11,288	13,433	15,659	15,972	16,292	16,618	16,950	0
Fir	10,722	16,692	23,834	32,142	39,406	41,223	43,117	45,092	47,152	0
Hemlock	3,232	4,739	6,496	8,504	10,309	10,725	11,159	11,610	12,079	0
<b>Total Sales</b>	<b>79,327</b>	<b>98,629</b>	<b>107,863</b>	<b>122,448</b>	<b>132,068</b>	<b>137,201</b>	<b>142,822</b>	<b>148,054</b>	<b>153,804</b>	<b>0</b>
<b>Other Revenue</b>										
Annual Usage Fees	10,000	11,200	12,320	12,813	13,069	13,330	13,597	13,869	0	0
Equipment Sale	0	0	0	0	0	0	0	0	84,200	0
Labour Subsidy	0	0	0	0	0	0	0	0	0	0
<b>Total Other Revenue</b>	<b>10,000</b>	<b>11,200</b>	<b>12,320</b>	<b>12,813</b>	<b>13,069</b>	<b>13,330</b>	<b>13,597</b>	<b>13,869</b>	<b>84,200</b>	<b>0</b>
<b>Financing</b>										
Fundraise	967,000	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>967,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>1,068,327</b>	<b>104,729</b>	<b>120,173</b>	<b>136,261</b>	<b>145,137</b>	<b>150,532</b>	<b>156,419</b>	<b>161,923</b>	<b>238,004</b>	<b>0</b>
<b>EXPENSES</b>										
<b>Investments &amp; Equipment</b>										
Land	500,000	0	0	0	0	0	0	0	0	0
Other Equipment	467,000	0	0	0	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>967,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Costs</b>										
Executive Director	75,000	76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	0
Utilities	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	0
Office/Miscellaneous	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	0
Credit Card Fees	2,993	3,441	3,854	4,240	4,409	4,498	4,588	4,679	4,773	0
<b>Total Operating Costs</b>	<b>90,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,096</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,189</b>	<b>107,293</b>	<b>0</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENSES</b>	<b>1,057,493</b>	<b>92,691</b>	<b>94,889</b>	<b>97,096</b>	<b>99,122</b>	<b>101,105</b>	<b>103,127</b>	<b>105,189</b>	<b>107,293</b>	<b>0</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(1,166)</b>	<b>12,038</b>	<b>25,283</b>	<b>39,165</b>	<b>46,029</b>	<b>49,427</b>	<b>53,292</b>	<b>56,734</b>	<b>130,711</b>	<b>0</b>
<i>Cumulative Cash Flow</i>	<i>(1,166)</i>	<i>10,872</i>	<i>36,156</i>	<i>74,321</i>	<i>120,350</i>	<i>169,777</i>	<i>222,770</i>	<i>279,504</i>	<i>410,215</i>	<i>410,215</i>

*Assumes mortgage on equipment is transferred to purchaser with sale*

**INPUTS**

<b>Timing</b>	
Contract Milling Start	Year 1 Variable
Purchase Land	Year 4 Variable
Purchase Other Equipment & Buildings	Year 4 Variable
<b>Sales &amp; Productivity</b>	
Year 1 BF/ Year	
BF/ Day	1,200 Estimate
Operating Days/ Year	175 Estimate
Year 1 Product Mix	
Cedar	35% Estimate
Fir	45% Estimate
Hemlock	20% Estimate
Inventory (% of each log)	5% Variable
Max. Combined Inventory (BF)	75,000 Variable
<b>Investments &amp; Equipment</b>	
Land	\$ 500,000 See Land Options
Other Equipment & Buildings	
Telehandler	\$ 60,000 Estimate
Kin	\$ 50,000 Estimate
Moulder	\$ 150,000 Estimate
Dumping Trailer	\$ 7,000 Estimate
Buildings & Storage	\$ 170,000 Estimate
<b>Rates</b>	
Inflation	2.00% Estimate
Recovery Rate (BF)	250 Industry Standard
Max. Cedar Logging (m3)	216 From CFGP
Max. Cedar Logging (BF)	54,000
Scaling Cost (m3)	\$ 4.00 Estimate
Credit Card Fees	2.00% Industry Standard
% Credit Card Sales	75% Estimate

<b>Expenses</b>	
Pre-Kin & Moulder	
Scaling (/BF)	\$ 0.016 See Rates
Contract Milling (/BF)	\$ 0.90 Estimate
Contract Moulding (/BF)	\$ 0.65 Estimate
Transportation (/BF)	\$ 0.25 Estimate
Repairs & Maintenance	\$ - No machines operating
Marketing	\$ 30,000 Estimate
Admin	\$ 20,000 Estimate
Utilities	\$ 1,000 Estimate
Contractor KMs	\$ 1,000 Estimate
Equipment & Small Tools	\$ 10,000 Estimate
Fuel	\$ 4,200 \$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 500 No machines or inventory
Safety & Equipment	\$ 1,000 Estimate
Miscellaneous	\$ 2,000 Estimate
Property Tax	\$ 4,000 Estimate (Post-Land)
Post-Kin & Moulder	
Scaling (/BF)	\$ 0.016 See Rates
Contract Milling (/BF)	\$ 0.90 Estimate
Contract Moulding (/BF)	\$ - Incl. in Labour
Transportation (/BF)	\$ 0.10 Most paid by customer
Repairs & Maintenance	\$ 7,000 See Repairs & Maintenance
Marketing	\$ 30,000 Estimate
Admin	\$ 30,000 Estimate
Utilities	\$ 5,000 Estimate
Contractor km	\$ 1,000 Estimate
Equipment & Small Tools	\$ 10,000 Estimate
Fuel	\$ 4,200 \$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 3,000 Estimate
Safety & Equipment	\$ 1,000 Estimate
Miscellaneous	\$ 2,000 Estimate
Property Tax	\$ 4,000 Estimate (Post-Land)

<b>Year 1 Log Cost</b>	
Market (m3)	\$/BF
Cedar	\$ 300 \$ 1.20 From CFGP (Dec '22)
Fir	\$ 150 \$ 0.60 From CFGP (Dec '22)
Hemlock	\$ 80 \$ 0.32 From CFGP (Dec '22)
<b>Labour</b>	
Pre-Kin & Moulder	
# Employees	1
Wage	\$ 50.00
Hours per day	8
Days per year	200
Post-Kin & Moulder	
# Employees	2
Wage	\$ 50.00
Hours per day	8
Days per year	200
Wage Overhead	18%
<b>Repairs &amp; Maintenance</b>	
Kin	3,500 Estimate
Moulder	3,500 Estimate
<b>Land Options</b>	
Buy	\$ 500,000 From Realtor
Rent/Year	\$ 50,000 From Realtor
Donated	\$ -

<b>Financing</b>	
Borrow Amount	
Land	\$ 500,000 Total amount of purchases
Other Equipment & Buildings	\$ 437,000 Total amount of purchases
<b>Community Bond Rates</b>	
% of Investment	90% Variable
Interest	4.00% Estimate
<b>Mortgage</b>	
Downpayment %	20% Variable
Land	
Amount Raised	\$ 450,000
Raise Year	Year 4 See Timing
Payback Year	Year 10 Variable
Land	
Downpayment \$	\$ 100,000
Amount Borrowed	\$ 400,000
Borrow Year	Year 4 See Timing
Amortization Period	25-year Variable
Interest	6.5% Variable
Kin, Moulder, Storage & Telehandler	
Amount Raised	\$ 393,300
Raise Year	Year 4 See Timing
Payback Year	Year 10 Variable
Kin, Moulder, Storage & Telehandler	
Downpayment \$	\$ 87,400
Amount Borrowed	\$ 349,600
Borrow Year	Year 4 See Timing
Amortization Period	25-year Variable
Interest	6.5% Variable

<b>Sales, Log Costs &amp; Productivity</b>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Average Sales Price (\$/BF)										
Rough Boards										
Cedar	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.71	\$ 3.79	\$ 3.86	\$ 3.94	\$ 4.02	\$ 4.10	\$ 4.18
Fir	\$ 2.30	\$ 2.35	\$ 2.39	\$ 2.44	\$ 2.49	\$ 2.54	\$ 2.59	\$ 2.64	\$ 2.69	\$ 2.75
Hemlock	\$ 1.40	\$ 1.43	\$ 1.46	\$ 1.49	\$ 1.52	\$ 1.55	\$ 1.58	\$ 1.61	\$ 1.64	\$ 1.67
Moulded Products										
Cedar	\$ 4.70	\$ 4.79	\$ 4.89	\$ 4.99	\$ 5.09	\$ 5.19	\$ 5.29	\$ 5.40	\$ 5.51	\$ 5.62
Fir	\$ 3.30	\$ 3.37	\$ 3.43	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.72	\$ 3.79	\$ 3.87	\$ 3.94
Hemlock	\$ 2.70	\$ 2.75	\$ 2.81	\$ 2.87	\$ 2.92	\$ 2.98	\$ 3.04	\$ 3.10	\$ 3.16	\$ 3.23
% Moulded Products	20%	25%	30%	35%	40%	40%	40%	40%	40%	40% Variable
Average Log Cost (\$/BF)										
Cedar	\$ 1.20	\$ 1.22	\$ 1.25	\$ 1.27	\$ 1.30	\$ 1.32	\$ 1.35	\$ 1.38	\$ 1.41	\$ 1.43
Fir	\$ 0.60	\$ 0.61	\$ 0.62	\$ 0.64	\$ 0.65	\$ 0.66	\$ 0.68	\$ 0.69	\$ 0.70	\$ 0.72
Hemlock	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.37	\$ 0.38
Sales Growth		15.00%	12.00%	10.00%	4.00%	2.00%	2.00%	2.00%	2.00%	2.00% Variable
Annual Productivity (BF)										
Cedar	210,000	241,500	270,480	297,528	309,429	315,618	321,930	328,369	334,936	341,635 Annual productivity based on sales growth and inventory
Fir	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000 35% of production up to a maximum logging rate
Hemlock	114,000	139,200	162,384	184,022	193,543	198,494	203,544	208,695	213,949	219,308 45% of production plus any additional production from lower cedar supply
BF/Day	1,200	1,380	1,546	1,700	1,768	1,804	1,840	1,876	1,914	1,952
Annual Inventory Additions (BF)										
Cedar	0	0	0	14,876	15,471	15,781	16,097	16,418	16,747	17,082 Additions to the inventory each year, up to a pre-determined maximum amount
Fir	0	0	0	9,201	9,677	9,925	10,177	10,435	10,697	10,965
Hemlock	0	0	0	2,975	3,094	3,156	3,219	3,284	3,349	3,416
Cumulative Inventory (BF)	0	0	0	14,876	30,348	46,129	62,225	78,644	95,390	112,472 Up to a pre-determined amount
Annual Sales (BF)										
Cedar	54,000	54,000	54,000	51,300	51,300	51,300	51,300	51,300	51,300	51,300 Productivity less inventory
Fir	114,000	139,200	162,384	174,821	183,866	188,569	193,367	198,260	203,251	208,342 Productivity less inventory
Hemlock	42,000	48,300	54,096	65,530	68,792	69,967	71,167	72,390	73,638	74,911 Productivity less inventory
Total	210,000	241,500	270,480	282,652	293,958	299,837	305,634	311,950	318,189	324,553

x) Financial forecast for Scenario 3 under the Mortgage option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,880	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>608,080</b>	<b>656,347</b>	<b>706,080</b>	<b>616,320</b>	<b>600,650</b>	<b>614,674</b>	<b>650,148</b>	<b>667,028</b>	<b>1,026,393</b>	<b>1,086,216</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	0	0	0	749,600	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>749,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>608,080</b>	<b>656,347</b>	<b>706,080</b>	<b>1,066,020</b>	<b>600,650</b>	<b>614,674</b>	<b>650,148</b>	<b>667,028</b>	<b>1,026,393</b>	<b>1,086,216</b>
<b>EXPENSES</b>										
<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,435	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,795</b>	<b>206,145</b>	<b>217,275</b>	<b>225,339</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>
<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Telehandler	0	0	0	60,000	0	0	0	0	0	0
Kiln	0	0	0	50,000	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>687,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs</b>										
Labour	80,000	80,000	80,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Wage Overhead	14,400	14,400	14,400	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466
Contract Milling	189,000	217,350	243,432	267,775	278,486	284,056	289,737	295,532	301,442	307,471
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163
Repairs & Maintenance	0	0	0	7,000	7,140	7,283	7,428	7,577	7,729	7,883
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785
Utilities	1,000	1,020	1,040	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019
Insurance	500	510	520	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505
<b>Total Other Operating Costs</b>	<b>498,410</b>	<b>498,940</b>	<b>530,096</b>	<b>666,476</b>	<b>608,748</b>	<b>618,191</b>	<b>626,740</b>	<b>635,608</b>	<b>644,442</b>	<b>653,555</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	0	0	29,984	29,984	29,984	29,984	29,984	29,984	29,984
Interest	0	0	0	23,388	45,801	43,852	41,903	39,954	38,005	36,056
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,372</b>	<b>75,785</b>	<b>73,836</b>	<b>71,887</b>	<b>69,938</b>	<b>67,989</b>	<b>66,040</b>
<b>TOTAL EXPENSES</b>	<b>608,080</b>	<b>657,001</b>	<b>726,891</b>	<b>1,791,896</b>	<b>602,803</b>	<b>617,286</b>	<b>622,348</b>	<b>647,555</b>	<b>663,676</b>	<b>680,423</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(29,270)</b>	<b>(54)</b>	<b>30,989</b>	<b>(226,076)</b>	<b>(22,253)</b>	<b>(2,611)</b>	<b>17,801</b>	<b>36,170</b>	<b>61,489</b>	<b>84,796</b>
<i>Cumulative Cash Flow</i>	<i>(29,270)</i>	<i>(30,024)</i>	<i>945</i>	<i>(225,130)</i>	<i>(247,383)</i>	<i>(250,044)</i>	<i>(232,244)</i>	<i>(193,073)</i>	<i>(131,585)</i>	<i>(46,789)</i>

**MORTGAGE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Land</b>										
Opening Balance	0	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000
Additions	0	0	0	400,000	0	0	0	0	0	0
Repayments	0	0	0	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Closing Balance	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000	288,000
Interest	0	0	0	12,480	24,440	23,400	22,360	21,320	20,280	19,240
<b>Kiln, Moulder &amp; Storage</b>										
Opening Balance	0	0	0	0	335,616	321,632	307,648	293,664	279,680	265,696
Additions	0	0	0	349,600	0	0	0	0	0	0
Repayments	0	0	0	13,984	13,984	13,984	13,984	13,984	13,984	13,984
Closing Balance	0	0	0	335,616	321,632	307,648	293,664	279,680	265,696	251,712
Interest	0	0	0	10,908	21,361	20,452	19,543	18,634	17,725	16,816
<b>Total</b>										
Opening Balance	0	0	0	0	719,616	689,632	659,648	629,664	599,680	569,696
Additions	0	0	0	749,600	0	0	0	0	0	0
Repayments	0	0	0	29,984	29,984	29,984	29,984	29,984	29,984	29,984
Closing Balance	0	0	0	719,616	689,632	659,648	629,664	599,680	569,696	539,712
Interest	0	0	0	23,388	45,801	43,852	41,903	39,954	38,005	36,056

xi) Financial forecast for Scenario 3 under the Bond Raise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,880	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>658,680</b>	<b>658,347</b>	<b>708,880</b>	<b>618,320</b>	<b>680,550</b>	<b>614,674</b>	<b>650,148</b>	<b>667,026</b>	<b>1,026,363</b>	<b>1,066,218</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	843,300	0	0	0	0	0	0
Mortgage	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>843,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>658,680</b>	<b>658,347</b>	<b>708,880</b>	<b>1,059,620</b>	<b>680,550</b>	<b>614,674</b>	<b>650,148</b>	<b>667,026</b>	<b>1,026,363</b>	<b>1,066,218</b>
<b>EXPENSES</b>										
<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,145</b>	<b>217,276</b>	<b>226,339</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>
<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Telehandler	0	0	0	60,000	0	0	0	0	0	0
Kiln	0	0	0	50,000	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>887,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs</b>										
Labour	80,000	80,000	80,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Wage Overhead	14,400	14,400	14,400	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466
Contract Milling	189,000	217,350	243,432	267,775	278,486	284,056	289,737	295,532	301,442	307,471
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163
Repairs & Maintenance	0	0	0	7,000	7,140	7,283	7,428	7,577	7,729	7,883
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785
Utilities	1,000	1,020	1,040	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Contractor KM's	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019
Insurance	500	510	520	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505
<b>Total Other Operating Costs</b>	<b>438,410</b>	<b>468,946</b>	<b>538,086</b>	<b>556,476</b>	<b>608,748</b>	<b>618,161</b>	<b>628,749</b>	<b>636,508</b>	<b>644,442</b>	<b>663,655</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	843,300
Interest	0	0	0	0	0	0	0	0	0	33,732
Mortgage										
Repayments	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>877,032</b>
<b>TOTAL EXPENSES</b>	<b>658,680</b>	<b>657,001</b>	<b>725,891</b>	<b>1,738,624</b>	<b>827,019</b>	<b>843,600</b>	<b>860,461</b>	<b>877,918</b>	<b>896,806</b>	<b>1,791,416</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(29,370)</b>	<b>(654)</b>	<b>30,889</b>	<b>(79,004)</b>	<b>63,632</b>	<b>71,176</b>	<b>80,687</b>	<b>109,108</b>	<b>129,477</b>	<b>(728,197)</b>
<i>Cumulative Cash Flow</i>	<i>(29,370)</i>	<i>(30,024)</i>	<i>945</i>	<i>(78,059)</i>	<i>(24,527)</i>	<i>46,647</i>	<i>136,335</i>	<i>245,443</i>	<i>374,920</i>	<i>(351,277)</i>

xii) Financial forecast for Scenario 3 under the Fundraise option

FORECAST											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>REVENUES</b>											
<b>Sales</b>											
Rough Boards											
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747	
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604	
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162	
Moulded Products											
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260	
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665	
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780	
<b>Total Sales</b>	<b>699,680</b>	<b>699,347</b>	<b>768,890</b>	<b>816,320</b>	<b>860,880</b>	<b>914,674</b>	<b>960,148</b>	<b>997,026</b>	<b>1,026,389</b>	<b>1,065,218</b>	
<b>Financing</b>											
Fundraise	0	0	0	937,000	0	0	0	0	0	0	
Community Bond Raise	0	0	0	0	0	0	0	0	0	0	
Mortgage	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>937,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL REVENUES</b>	<b>699,680</b>	<b>699,347</b>	<b>768,890</b>	<b>1,753,320</b>	<b>860,880</b>	<b>914,674</b>	<b>960,148</b>	<b>997,026</b>	<b>1,026,389</b>	<b>1,065,218</b>	
<b>EXPENSES</b>											
<b>Log Costs</b>											
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442	
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256	
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130	
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,145</b>	<b>217,276</b>	<b>225,389</b>	<b>230,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>	
<b>Investments &amp; Equipment</b>											
Land	0	0	0	500,000	0	0	0	0	0	0	
Telehandler	0	0	0	60,000	0	0	0	0	0	0	
Kiln	0	0	0	50,000	0	0	0	0	0	0	
Moulder	0	0	0	150,000	0	0	0	0	0	0	
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0	
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0	
<b>Total Investments &amp; Equipment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>887,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Other Operating Costs</b>											
Labour	80,000	80,000	80,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	<i>Majority of labour starts and takes over from the contract moulding costs</i>
Wage Overhead	14,400	14,400	14,400	28,800	28,800	28,800	28,800	28,800	28,800	28,800	<i>Only kick in once kiln &amp; moulder are purchased</i>
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466	
Contract Milling	189,000	217,350	243,432	267,775	278,486	284,056	289,737	295,532	301,442	307,471	
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0	
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163	<i>All transportation costs paid by customer once after kiln &amp; moulder are purchased</i>
Repairs & Maintenance	0	0	0	7,000	7,140	7,283	7,428	7,577	7,729	7,883	<i>Only kick in once kiln &amp; moulder are purchased</i>
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	<i>Possibly able to be offset through grant funding</i>
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785	<i>Possibly able to be offset through grant funding</i>
Utilities	1,000	1,020	1,040	5,000	5,100	5,202	5,306	5,412	5,520	5,631	<i>Increase once kiln &amp; moulder are purchased</i>
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019	
Insurance	500	510	520	3,000	3,060	3,121	3,184	3,247	3,312	3,378	<i>Increase once kiln &amp; moulder are purchased</i>
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868	
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505	<i>Only kicks in once land is purchased</i>
<b>Total Other Operating Costs</b>	<b>439,410</b>	<b>469,946</b>	<b>539,098</b>	<b>606,478</b>	<b>609,749</b>	<b>616,161</b>	<b>629,749</b>	<b>639,008</b>	<b>644,442</b>	<b>659,556</b>	
<b>Financing</b>											
Community Bond Raise											
Payback	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
Mortgage											
Repayments	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL EXPENSES</b>	<b>699,050</b>	<b>697,001</b>	<b>726,894</b>	<b>1,739,624</b>	<b>827,019</b>	<b>845,850</b>	<b>890,461</b>	<b>977,918</b>	<b>996,899</b>	<b>914,389</b>	
<b>TOTAL PROFIT (LOSS)</b>	<b>(29,370)</b>	<b>(654)</b>	<b>39,996</b>	<b>14,696</b>	<b>69,832</b>	<b>71,175</b>	<b>69,687</b>	<b>109,108</b>	<b>129,477</b>	<b>150,830</b>	
<i>Cumulative Cash Flow</i>	<i>(29,370)</i>	<i>(30,024)</i>	<i>945</i>	<i>15,641</i>	<i>69,173</i>	<i>140,347</i>	<i>230,035</i>	<i>339,143</i>	<i>468,620</i>	<i>619,455</i>	

**INPUTS**

Timing	Year 1	Year 4	Year 4
Purchase Mill & Telehandler	Variable		
Purchase Land	Variable		
Purchase Other Equipment & Buildings	Variable		

Rate	Year 1 BF/ Year	BF/ Day	Operating Days/ Year
Year 1 Product Mix		1,200	175
Cedar	35%	Estimate	
Fir	45%	Estimate	
Hemlock	20%	Estimate	
Inventory (% of each log)	5%	Variable	
Max. Combined Inventory (BF)	75,000	Variable	

Investments & Equipment	Amount	Notes
Land	\$ 500,000	See Land Options
Mill	\$ 100,000	Estimate
Telehandler	\$ 60,000	Estimate
Other Equipment & Buildings		
Kin	\$ 50,000	Estimate
Moulder	\$ 150,000	Estimate
Dumping Trailer	\$ 7,000	Estimate
Buildings & Storage	\$ 170,000	Estimate

Rate	Value	Notes
Inflation	2.00%	Estimate
Recovery Rate (BF)	250	Industry Standard
Max. Cedar Logging (m3)	216	From CFGP
Max. Cedar Logging (BF)	54,000	
Scaling Cost (m3)	\$ 4.00	Estimate
Credit Card Fees	2.00%	Industry Standard
% Credit Card Sales	75%	Estimate

**Sales, Log Costs & Productivity**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Average Sales Price (\$/BF)										
Rough Boards										
Cedar	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.71	\$ 3.79	\$ 3.86	\$ 3.94	\$ 4.02	\$ 4.10	\$ 4.18
Fir	\$ 2.30	\$ 2.35	\$ 2.39	\$ 2.44	\$ 2.49	\$ 2.54	\$ 2.59	\$ 2.64	\$ 2.69	\$ 2.75
Hemlock	\$ 1.40	\$ 1.43	\$ 1.46	\$ 1.49	\$ 1.52	\$ 1.55	\$ 1.58	\$ 1.61	\$ 1.64	\$ 1.67
Moulded Products										
Cedar	\$ 4.70	\$ 4.79	\$ 4.89	\$ 4.99	\$ 5.09	\$ 5.19	\$ 5.29	\$ 5.40	\$ 5.51	\$ 5.62
Fir	\$ 3.30	\$ 3.37	\$ 3.43	\$ 3.50	\$ 3.57	\$ 3.64	\$ 3.72	\$ 3.79	\$ 3.87	\$ 3.94
Hemlock	\$ 2.70	\$ 2.75	\$ 2.81	\$ 2.87	\$ 2.92	\$ 2.98	\$ 3.04	\$ 3.10	\$ 3.16	\$ 3.23
% Moulded Products	20%	25%	30%	35%	40%	40%	40%	40%	40%	40%
Average Log Cost (\$/BF)										
Cedar	\$ 1.20	\$ 1.22	\$ 1.25	\$ 1.27	\$ 1.30	\$ 1.32	\$ 1.35	\$ 1.38	\$ 1.41	\$ 1.43
Fir	\$ 0.60	\$ 0.61	\$ 0.62	\$ 0.64	\$ 0.65	\$ 0.66	\$ 0.68	\$ 0.69	\$ 0.70	\$ 0.72
Hemlock	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.35	\$ 0.36	\$ 0.37	\$ 0.37	\$ 0.38
Sales Growth		15.00%	12.00%	10.00%	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Productivity (BF)	210,000	241,500	270,480	297,528	309,429	315,618	321,930	328,369	334,936	341,635
Cedar	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
Fir	114,000	139,200	162,384	184,022	193,543	198,494	203,544	208,695	213,949	219,308
Hemlock	42,000	48,300	54,096	59,506	61,886	63,124	64,386	65,674	66,987	68,327
BF/Day	1,200	1,380	1,546	1,700	1,768	1,804	1,840	1,876	1,914	1,952
Annual Inventory Additions (BF)	0	0	0	14,876	15,471	15,781	16,097	16,418	16,747	17,082
Cedar	0	0	0	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Fir	0	0	0	9,201	9,677	9,925	10,177	10,435	10,697	10,965
Hemlock	0	0	0	2,975	3,094	3,156	3,219	3,284	3,349	3,416
Cumulative Inventory (BF)	0	0	0	14,876	30,348	46,129	62,225	78,644	95,390	112,472
Annual Sales (BF)										
Cedar	54,000	54,000	54,000	51,300	51,300	51,300	51,300	51,300	51,300	51,300
Fir	114,000	139,200	162,384	174,821	183,865	188,969	193,987	198,260	203,251	208,342
Hemlock	42,000	48,300	54,096	56,530	58,792	59,967	61,167	62,390	63,638	64,911
Total	210,000	241,500	270,480	282,652	293,958	299,837	305,834	311,950	318,189	324,553

Expense	Amount	Notes
Pre-Kin & Moulder		
Scaling (BF)	\$ 0.016	See Rates
Contract Moulding (BF)	\$ 0.65	Estimate
Transportation (BF)	\$ 0.25	Estimate
Repairs & Maintenance	\$ 7,000	See Repairs & Maintenance
Marketing	\$ 30,000	Estimate
Admin	\$ 20,000	Estimate
Utilities	\$ 2,500	Estimate
Contractor KMs	\$ 1,000	Estimate
Equipment & Small Tools	\$ 10,000	Estimate
Fuel	\$ 4,200	\$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 1,500	Estimate
Safety & Equipment	\$ 1,000	Estimate
Miscellaneous	\$ 2,000	Estimate
Property Tax	\$ 4,000	Estimate (Post-Land)

Expense	Amount	Notes
Post-Kin & Moulder		
Scaling (BF)	\$ 0.016	See Rates
Contract Moulding (\$/BF)	\$ -	Incl. in Labour
Transportation (BF)	\$ 0.10	Most paid by customer
Repairs & Maintenance	\$ 14,000	See Repairs & Maintenance
Marketing	\$ 30,000	Estimate
Admin	\$ 30,000	Estimate
Utilities	\$ 5,000	Estimate
Contractor KMs	\$ 1,000	Estimate
Equipment & Small Tools	\$ 10,000	Estimate
Fuel	\$ 4,200	\$2/L, 12L/Day, 175 Days/Yr
Insurance	\$ 3,000	Estimate
Safety & Equipment	\$ 1,000	Estimate
Miscellaneous	\$ 2,000	Estimate
Property Tax	\$ 4,000	Estimate (Post-Land)

Log Cost	Market (m3)	\$/BF
Cedar	\$ 300	\$ 1.20
Fir	\$ 150	\$ 0.60
Hemlock	\$ 80	\$ 0.32

Labour	Amount	Notes
Pre-Kin & Moulder		
# Employees	3	
Wage	\$ 50.00	
Hours per day	8	
Days per year	200	
Post-Kin & Moulder		
# Employees	4	
Wage	\$ 50.00	
Hours per day	8	
Days per year	200	
Wage Overhead	18%	

Repairs & Maintenance	Amount	Notes
Mill	3,500	Estimate
Telehandler	3,500	Estimate
Kin	3,500	Estimate
Moulder	3,500	Estimate

Land Option	Amount	Notes
Buy	\$ 500,000	From Realtor
Rent/Year	\$ 50,000	From Realtor
Donated	\$ -	

Financing	Amount	Notes
Borrow Amount		
Mill & Telehandler	\$ 160,000	Total amount of purchases
Land	\$ 500,000	Total amount of purchases
Other Equipment & Buildings	\$ 377,000	Total amount of purchases

Community Bond Raise	Amount	Notes
% of Investment	90%	Variable
Interest	4.00%	Estimate
Mill & Telehandler		
Amount Raised	\$ 144,000	
Raise Year	Year 1	See Timing
Payback Year	Year 10	Variable

Land	Amount	Notes
Amount Raised	\$ 450,000	
Raise Year	Year 4	See Timing
Payback Year	Year 10	Variable

Kin, Moulder & Storage	Amount	Notes
Amount Raised	\$ 339,300	
Raise Year	Year 4	See Timing
Payback Year	Year 10	Variable

Mortgage	Amount	Notes
Downpayment %	20%	Variable
Mill & Telehandler		
Downpayment \$	\$ 32,000	
Amount Borrowed	\$ 128,000	
Borrow Year	Year 1	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable

Land	Amount	Notes
Downpayment \$	\$ 100,000	
Amount Borrowed	\$ 400,000	
Borrow Year	Year 4	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable

Kin, Moulder & Storage	Amount	Notes
Downpayment \$	\$ 75,400	
Amount Borrowed	\$ 301,600	
Borrow Year	Year 4	See Timing
Amortization Period	25-year	Variable
Interest	6.5%	Variable



xiv) Financial forecast for Scenario 4 under the Mortgage option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>696,980</b>	<b>696,347</b>	<b>706,980</b>	<b>616,320</b>	<b>600,080</b>	<b>614,674</b>	<b>630,148</b>	<b>657,028</b>	<b>1,026,363</b>	<b>1,066,210</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	0	0	0	0	0	0	0	0	0	0
Mortgage	128,000	0	0	701,600	0	0	0	0	0	0
<b>Total Financing</b>	<b>128,000</b>	<b>0</b>	<b>0</b>	<b>701,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>824,980</b>	<b>696,347</b>	<b>706,980</b>	<b>1,317,920</b>	<b>600,080</b>	<b>614,674</b>	<b>630,148</b>	<b>657,028</b>	<b>1,026,363</b>	<b>1,066,210</b>
<b>EXPENSES</b>										
<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,795</b>	<b>206,145</b>	<b>217,276</b>	<b>225,338</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>
<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Mill	100,000	0	0	0	0	0	0	0	0	0
Telehandler	60,000	0	0	0	0	0	0	0	0	0
Kiln	0	0	0	50,000	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>160,000</b>	<b>0</b>	<b>0</b>	<b>877,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs</b>										
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163
Repairs & Maintenance	7,000	7,140	7,283	14,000	14,280	14,566	14,857	15,154	15,457	15,766
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785
Utilities	2,500	2,550	2,601	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019
Insurance	1,500	1,530	1,561	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505
<b>Total Other Operating Costs</b>	<b>448,710</b>	<b>471,059</b>	<b>494,348</b>	<b>628,600</b>	<b>627,198</b>	<b>630,188</b>	<b>633,240</b>	<b>636,363</b>	<b>639,628</b>	<b>642,706</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
Mortgage										
Repayments	0	5,120	5,120	33,184	33,184	33,184	33,184	33,184	33,184	33,184
Interest	0	8,154	7,821	29,378	50,023	47,866	45,709	43,552	41,395	39,238
<b>Total Financing</b>	<b>0</b>	<b>13,274</b>	<b>12,941</b>	<b>62,562</b>	<b>83,207</b>	<b>81,000</b>	<b>78,888</b>	<b>76,736</b>	<b>74,579</b>	<b>72,422</b>
<b>TOTAL EXPENSES</b>	<b>795,350</b>	<b>661,414</b>	<b>694,084</b>	<b>1,698,210</b>	<b>627,670</b>	<b>636,677</b>	<b>645,046</b>	<b>655,409</b>	<b>685,651</b>	<b>678,017</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(70,670)</b>	<b>4,833</b>	<b>62,776</b>	<b>(161,291)</b>	<b>62,671</b>	<b>78,098</b>	<b>104,303</b>	<b>131,627</b>	<b>160,612</b>	<b>188,201</b>
<i>Cumulative Cash Flow</i>	<i>(70,670)</i>	<i>(65,737)</i>	<i>(2,961)</i>	<i>(154,252)</i>	<i>(101,381)</i>	<i>(23,283)</i>	<i>81,020</i>	<i>212,547</i>	<i>372,358</i>	<i>561,560</i>

**MORTGAGE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Mill &amp; Telehandler</b>										
Opening Balance	0	128,000	122,880	117,760	112,640	107,520	102,400	97,280	92,160	87,040
Additions	128,000	0	0	0	0	0	0	0	0	0
Repayments	0	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120	5,120
Closing Balance	128,000	122,880	117,760	112,640	107,520	102,400	97,280	92,160	87,040	81,920
Interest	0	8,154	7,821	7,488	7,155	6,822	6,490	6,157	5,824	5,491
<b>Land</b>										
Opening Balance	0	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000
Additions	0	0	0	400,000	0	0	0	0	0	0
Repayments	0	0	0	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Closing Balance	0	0	0	384,000	368,000	352,000	336,000	320,000	304,000	288,000
Interest	0	0	0	12,480	24,440	23,400	22,360	21,320	20,280	19,240
<b>Kiln, Moulder &amp; Storage</b>										
Opening Balance	0	0	0	0	289,536	277,472	265,408	253,344	241,280	229,216
Additions	0	0	0	301,600	0	0	0	0	0	0
Repayments	0	0	0	12,064	12,064	12,064	12,064	12,064	12,064	12,064
Closing Balance	0	0	0	289,536	277,472	265,408	253,344	241,280	229,216	217,152
Interest	0	0	0	9,410	16,428	17,644	16,859	16,075	15,291	14,507
<b>Total</b>										
Opening Balance	0	128,000	122,880	117,760	786,176	752,992	719,808	686,624	653,440	620,256
Additions	128,000	0	0	701,600	0	0	0	0	0	0
Repayments	0	5,120	5,120	33,184	33,184	33,184	33,184	33,184	33,184	33,184
Closing Balance	128,000	122,880	117,760	786,176	752,992	719,808	686,624	653,440	620,256	587,072
Interest	0	8,154	7,821	29,378	50,023	47,866	45,709	43,552	41,395	39,238

xv) Financial forecast for Scenario 4 under the Bond Raise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUES</b>										
<b>Sales</b>										
Rough Boards										
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162
Moulded Products										
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780
<b>Total Sales</b>	<b>698,680</b>	<b>698,347</b>	<b>768,880</b>	<b>616,320</b>	<b>680,550</b>	<b>614,674</b>	<b>690,148</b>	<b>687,028</b>	<b>1,026,369</b>	<b>1,066,218</b>
<b>Financing</b>										
Fundraise	0	0	0	0	0	0	0	0	0	0
Community Bond Raise	144,000	0	0	789,300	0	0	0	0	0	0
Mortgage	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>144,000</b>	<b>0</b>	<b>0</b>	<b>789,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUES</b>	<b>700,680</b>	<b>698,347</b>	<b>768,880</b>	<b>1,605,620</b>	<b>680,550</b>	<b>614,674</b>	<b>690,148</b>	<b>687,028</b>	<b>1,026,369</b>	<b>1,066,218</b>
<b>EXPENSES</b>										
<b>Log Costs</b>										
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	26,130
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,082</b>	<b>186,796</b>	<b>206,146</b>	<b>217,276</b>	<b>225,338</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>260,828</b>
<b>Investments &amp; Equipment</b>										
Land	0	0	0	500,000	0	0	0	0	0	0
Mill	100,000	0	0	0	0	0	0	0	0	0
Telehandler	60,000	0	0	0	0	0	0	0	0	0
Kiln	0	0	0	50,000	0	0	0	0	0	0
Moulder	0	0	0	150,000	0	0	0	0	0	0
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0
<b>Total Investments &amp; Equipment</b>	<b>160,000</b>	<b>0</b>	<b>0</b>	<b>677,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs</b>										
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163
Repairs & Maintenance	7,000	7,140	7,283	14,000	14,280	14,666	14,857	15,154	15,457	15,766
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785
Utilities	2,500	2,550	2,601	5,000	5,100	5,202	5,306	5,412	5,520	5,631
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019
Insurance	1,500	1,530	1,561	3,000	3,060	3,121	3,184	3,247	3,312	3,378
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505
<b>Total Other Operating Costs</b>	<b>446,710</b>	<b>471,088</b>	<b>494,946</b>	<b>623,508</b>	<b>627,196</b>	<b>630,188</b>	<b>633,240</b>	<b>636,363</b>	<b>639,628</b>	<b>642,768</b>
<b>Financing</b>										
Community Bond Raise										
Payback	0	0	0	0	0	0	0	0	0	933,300
Interest	0	0	0	0	0	0	0	0	0	37,332
Mortgage										
Repayments	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>970,632</b>
<b>TOTAL EXPENSES</b>	<b>765,360</b>	<b>698,141</b>	<b>691,149</b>	<b>1,605,648</b>	<b>744,472</b>	<b>765,627</b>	<b>766,982</b>	<b>778,789</b>	<b>780,972</b>	<b>1,774,227</b>
<b>TOTAL PROFIT (LOSS)</b>	<b>(64,670)</b>	<b>18,206</b>	<b>75,717</b>	<b>(1,028)</b>	<b>135,078</b>	<b>189,148</b>	<b>183,166</b>	<b>208,289</b>	<b>234,391</b>	<b>(709,009)</b>
<i>Cumulative Cash Flow</i>	<i>(54,670)</i>	<i>(36,464)</i>	<i>39,254</i>	<i>38,225</i>	<i>174,303</i>	<i>333,450</i>	<i>516,646</i>	<i>724,909</i>	<i>959,300</i>	<i>250,291</i>

xvi) Financial forecast for Scenario 4 under the Fundraise option

**FORECAST**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>REVENUES</b>											
<b>Sales</b>											
Rough Boards											
Cedar	151,200	144,585	137,645	123,851	116,610	118,943	121,321	123,748	126,223	128,747	
Fir	209,760	244,922	272,000	277,355	274,651	287,310	300,512	314,279	328,635	343,604	
Hemlock	47,040	51,729	55,156	54,591	53,456	55,615	57,862	60,200	62,632	65,162	
Moulded Products											
Cedar	50,760	64,719	79,216	89,554	104,394	106,482	108,612	110,784	113,000	115,260	
Fir	75,240	117,137	167,255	214,278	262,710	274,819	287,446	300,615	314,347	328,665	
Hemlock	22,680	33,255	45,588	56,691	68,729	71,506	74,394	77,400	80,527	83,780	
<b>Total Sales</b>	<b>656,680</b>	<b>658,347</b>	<b>706,860</b>	<b>616,320</b>	<b>660,580</b>	<b>614,674</b>	<b>660,148</b>	<b>667,028</b>	<b>1,026,363</b>	<b>1,066,216</b>	
<b>Financing</b>											
Fundraise	160,000	0	0	877,000	0	0	0	0	0	0	
Community Bond Raise	0	0	0	0	0	0	0	0	0	0	
Mortgage	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>160,000</b>	<b>0</b>	<b>0</b>	<b>877,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL REVENUES</b>	<b>716,680</b>	<b>658,347</b>	<b>706,860</b>	<b>1,693,320</b>	<b>660,580</b>	<b>614,674</b>	<b>660,148</b>	<b>667,028</b>	<b>1,026,363</b>	<b>1,066,216</b>	
<b>EXPENSES</b>											
<b>Log Costs</b>											
Cedar	64,800	66,096	67,418	68,766	70,142	71,544	72,975	74,435	75,924	77,442	
Fir	68,400	85,190	101,367	117,172	125,698	131,492	137,534	143,835	150,405	157,256	
Hemlock	13,440	15,765	18,010	20,207	21,436	22,302	23,203	24,140	25,116	25,130	
<b>Total Log Costs</b>	<b>146,640</b>	<b>167,052</b>	<b>186,796</b>	<b>206,146</b>	<b>217,276</b>	<b>225,339</b>	<b>233,712</b>	<b>242,410</b>	<b>251,444</b>	<b>259,828</b>	
<b>Investments &amp; Equipment</b>											
Land	0	0	0	500,000	0	0	0	0	0	0	
Mill	100,000	0	0	0	0	0	0	0	0	0	
Telehandler	60,000	0	0	0	0	0	0	0	0	0	
Kiln	0	0	0	50,000	0	0	0	0	0	0	
Moulder	0	0	0	150,000	0	0	0	0	0	0	
Dumping Trailer	0	0	0	7,000	0	0	0	0	0	0	
Buildings & Storage	0	0	0	170,000	0	0	0	0	0	0	
<b>Total Investments &amp; Equipment</b>	<b>160,000</b>	<b>0</b>	<b>0</b>	<b>877,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Other Operating Costs</b>											
Labour	240,000	240,000	240,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	<i>Majority of labour starts and takes over from the contract moulding costs</i>
Wage Overhead	43,200	43,200	43,200	57,600	57,600	57,600	57,600	57,600	57,600	57,600	<i>Increase once kiln &amp; moulder are purchased</i>
Scaling	3,360	3,864	4,328	4,760	4,951	5,050	5,151	5,254	5,359	5,466	
Contract Moulding	27,300	39,244	52,744	0	0	0	0	0	0	0	
Transportation	52,500	60,375	67,620	29,753	30,943	31,562	32,193	32,837	33,494	34,163	<i>All transportation costs paid by customer once after kiln &amp; moulder are purchased</i>
Repairs & Maintenance	7,000	7,140	7,283	14,000	14,280	14,566	14,857	15,154	15,457	15,766	<i>Increase once kiln &amp; moulder are purchased</i>
Marketing	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	<i>Possibly able to be offset through grant funding</i>
Admin	20,000	20,400	20,808	30,000	30,600	31,212	31,836	32,473	33,122	33,785	<i>Possibly able to be offset through grant funding</i>
Utilities	2,500	2,550	2,601	5,000	5,100	5,202	5,306	5,412	5,520	5,631	<i>Increase once kiln &amp; moulder are purchased</i>
Contractor KMs	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Equipment & Small Tools	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	
Fuel	4,200	4,284	4,370	4,457	4,546	4,637	4,730	4,824	4,921	5,019	
Insurance	1,500	1,530	1,561	3,000	3,060	3,121	3,184	3,247	3,312	3,378	<i>Increase once kiln &amp; moulder are purchased</i>
Credit Card Fees	3,150	3,623	4,057	4,240	4,409	4,498	4,588	4,679	4,773	4,868	
Safety & Equipment	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195	
Miscellaneous	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	
Property Tax	0	0	0	4,000	4,080	4,162	4,245	4,330	4,416	4,505	<i>Only kicks in once land is purchased</i>
<b>Total Other Operating Costs</b>	<b>448,710</b>	<b>471,069</b>	<b>494,948</b>	<b>629,603</b>	<b>627,196</b>	<b>630,198</b>	<b>633,240</b>	<b>636,363</b>	<b>639,628</b>	<b>642,766</b>	
<b>Financing</b>											
Community Bond Raise											
Payback	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
Mortgage											
Repayments	0	0	0	0	0	0	0	0	0	0	
Interest	0	0	0	0	0	0	0	0	0	0	
<b>Total Financing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>TOTAL EXPENSES</b>	<b>766,300</b>	<b>698,141</b>	<b>681,143</b>	<b>1,608,948</b>	<b>744,472</b>	<b>765,827</b>	<b>766,982</b>	<b>776,763</b>	<b>790,972</b>	<b>808,696</b>	
<b>TOTAL PROFIT (LOSS)</b>	<b>(38,670)</b>	<b>16,206</b>	<b>76,717</b>	<b>68,671</b>	<b>136,076</b>	<b>168,148</b>	<b>183,166</b>	<b>206,263</b>	<b>234,391</b>	<b>261,624</b>	
<i>Cumulative Cash Flow</i>	<i>(38,670)</i>	<i>(20,464)</i>	<i>55,254</i>	<i>141,925</i>	<i>278,003</i>	<i>437,150</i>	<i>620,346</i>	<i>828,609</i>	<i>1,063,000</i>	<i>1,324,623</i>	