



HFN DEVELOPMENT LP

2011 Annual Report

Creating a Future as Rich as Our Past.



Huu-ay-aht First Nations Vision

We, the Huu-ay-aht people, envision a proud, self-governing, and sovereign nation. Iisaak will guide us as we work together to establish a healthy, prosperous and self-sustaining community where our culture, language, spirituality and economy prosper for the benefit of all Huu-ay-aht.

Huu-ay-aht Development Corporation (HDC) Vision

Together, the Huu-ay-aht Economic Development Committee and HFN Development LP strive to achieve a flourishing Huu-ay-aht economy through initiatives that provide sustainable benefits for all.



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Introduction

This is the first annual report issued by the HFN Development Limited Partnership (HFN Development LP) to Huu-ay-aht citizens, staff, government, and the public. The report summarizes our activities for 2011. It also demonstrates accountability from a new limited partnership designed to achieve the economic vision of Huu-ay-aht citizens and leaders (collectively known as *shareholders*).

On April 1, 2011, Huu-ay-aht became a self-governing First Nation. To separate business from politics, the nation established the HFN Development LP, an arms-length limited partnership equipped with independent management, a Board of Directors, and a mandate to pursue economic development opportunities for Huu-ay-aht and its citizens.



During this year of transition from a Huu-ay-aht government department to a limited partnership, the HFN Development LP hired a Chief Executive Officer, appointed a board of directors, and created its first detailed business plan. Analyzing existing businesses and how to improve them has been one major focus. Another

has been looking at opportunities for new businesses that will generate profits, meet environmental standards, and live up to our cultural expectations as a community.

Although economic development takes time, we made progress during our first year. This report summarizes that progress.

Shareholders refer to the Huu-ay-aht Nation as a whole. *Stakeholders* refer to other groups with an interest in Huu-ay-aht business.

Highlights for 2011

- Employed 20-22 people full or part-time (including 11 Huu-ay-aht citizens).
- Generated \$8,777,554.38 in revenue for Huu-ay-aht First Nations.*
- Acquired the first BC First Nations Woodland Licence for Huu-ay-aht forestry operations.
- Hired a Chief Executive Officer with more than 35 years experience in forestry and business.
- Reviewed operations to assess the state of companies and identify opportunities for improvement. Drafted a concept plan for existing and proposed Huu-ay-aht businesses.
- Reviewed potential opportunities identified in the Huu-ay-aht five-year economic strategy.



Message from the Chair

Enacting freedoms, fulfilling dreams, and rebuilding hope—these are a just a few of the activities that occupied your Board of Directors in 2011. And what a year it was.

While the world grappled with economic uncertainty and the complex challenge of recovering from a recession, Huu-ay-aht First Nations achieved its long-held vision for self-government. Soon after, the HFN Development LP emerged.

On behalf of the Board of Directors, I am pleased to present our first Annual Report. Today our thoughts and efforts are focused on one thing—creating a prosperous Huu-ay-aht economy. To achieve this vision, we spent 2011 crafting a limited partnership capable of realizing the potential of our beautiful homelands and the people who trace their roots here.

As the Chair, it's important to me that Huu-ay-aht citizens recognize the potential of your corporation and the opportunities it brings. These opportunities include jobs and employment, but also the chance to build a better community by taking part in a corporation whose profits lead back home.

In the last few months, reports from our businesses show we are turning a corner. Profits are increasing, and our businesses show viability like never before. Many people laid the foundation for where we are today—including the past and present Executive Council. I'd like to acknowledge their hard work and foresight. I'd also like to thank the staff for sticking with us during this time of change. Together we are committed to keeping you informed as we strive to develop sustainable businesses for the benefit of all Huu-ay-aht.

"We have a history but we also have a future. We are a modern First Nations community."

**-John Jack, Chair, Huu-ay-aht
Economic Development
Committee/HDC Board of
Directors**

John Jack
HDC Chair



Message from the Chief Executive Officer

As the Chief Executive Officer of Huu-ay-aht Group of Companies, I'm pleased to provide you with an overview of the limited partnership's operations for 2011. I've been on the job just over a year, but I can already see advances towards Huu-ay-aht First Nations' vision. Those advances include a new relationship between the Huu-ay-aht government and its businesses, exciting developments in HFN Development LP enterprises, and a staff of highly dedicated employees working to reach their own potential while carrying the dreams of their nation forward.

But we can't do it alone. Over the last year, we brought in expertise from a variety of fields to help us examine the businesses and chart a course for the future. We worked hand-in-hand with your economic development committee and Board of Directors to understand their strategic goals.

To fully achieve the Nation's vision, HFN Development LP needs to be profitable. It needs to generate revenue that we can invest in three ways: first, back into the businesses to keep them healthy; second, into new ventures that will provide jobs for Huu-ay-aht citizens and generate more growth and future prosperity; and third, into the programs and services offered by Huu-ay-aht First Nations to build a better, healthier community.

In 2011 we made advances towards those goals. I am particularly pleased with our results in the forestry business, which is now sitting in a profitable place after one of the safest years on record. The West Coast Trail crew was also extremely successful, maintaining the first 25km of the trail for Parks Canada and being on the front lines of cultural tourism. Similarly, the gravel pit provided sand, gravel, and drain rock for an important sewer project and is now in good financial and operational shape.

We also made progress on further assessing two microhydro sites on the Sarita River system and looking at opportunities in other industries. I'm pleased and excited about what the future holds and what we've accomplished to date.

Going forward in 2012, we'll keep trying different scenarios to improve the bottom line. We'll also consider what the implications of those improvements are on safety, the economy, the environment, and Huu-ay-aht culture. Already I'm optimistic that 2012 will see a continuation of the progress made in 2011. I have no doubt that the Huu-ay-aht Group of Companies will continue to grow and provide exceptional opportunities for the Huu-ay-aht community, now and into the future.



Stan Coleman
Huu-ay-aht Group of Companies



"The HFN
Development LP is
more than just forestry."

-Stan Coleman, Chief Executive
Officer, Huu-ay-aht Group of
Companies

About the HFN Development LP

The HFN Development LP oversees the strategic direction of all businesses owned by Huu-ay-aht First Nations. Although the nations still have a say in the partnership's direction, the HFN Development LP is governed by a board of directors and managed by a Chief Executive Officer (CEO). The CEO directs the businesses' day-to-day operations.



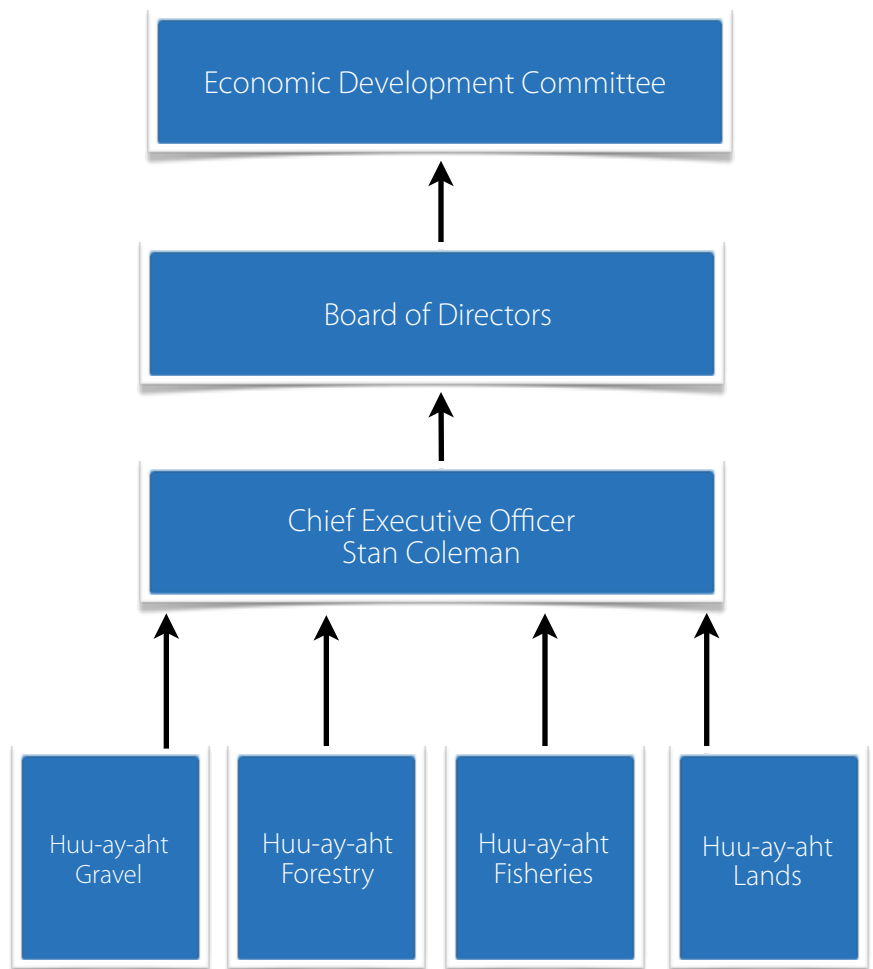
Board of Directors and staff, left to right: Paul Dagg, John Mass, Stan Coleman, Rosalyn Macauley, Ed Johnson, Sandra Young, John Jack, and Brent Sundquist. (Missing from this photo are Tom Joe and Derek Peters.)

Staff

Stan Coleman, Chief Executive Officer
Sandra Young, Administrative Assistant
Rosalyn Macauley, Cost Accountant
Paul Dagg, Planning Forester
Brent Sundquist, Operations Supervisor, HFN Forestry

Board of Directors

John Jack, Chair/Councillor
Derek Peters, Tyee Ha'wilth and Councillor
Tom Joe, Huu-ay-aht citizen
Ed Johnson, Huu-ay-aht citizen
John Mass, entrepreneur/Bamfield community member





Businesses and Activities

In 2011, the Huu-ay-aht Group of Businesses included four different businesses and employed 20-22 people directly through full- or part-time jobs. These businesses generated more than \$8.5 million in gross revenue, which the HFN Development LP invested back into existing businesses for future growth and success.

Existing Huu-ay-aht Businesses



"We are quite unique because we are a self-governing First Nation that has wealth generation as part of its mandate." –Mexsis (Tom Happynook Sr.), Councillor and Ha'wilth

Business Highlights for 2011

After a year of hard work, HFN Development LP can count the following highlights among its achievements for the period between April 1, 2011 and March 31, 2012:



Forestry

- Maintained BC Forest Safety Council certification
- Managed a Community Forest Licence
- Acquired first First Nations Woodland Licence in B.C.
- Completed two-phase review of operations and began implementing recommendations
- Initiated redesign of forestry accounting system
- Scaled/logged 97, 176.02m³
- Generated \$8,307,127.52 in gross revenue from our own provincial crown tenures*
- Employed 13-15 people directly (including six Huu-ay-aht citizens)

Fisheries

- Refined bidding process to increase transparency
- Increased job and mentorship opportunities
- Supported Huu-ay-aht food and ceremonial fishery
- Leased out eight commercial licences generating \$114,103.91 in gross revenue
- Reviewed aquaculture operations for future investment and partnerships



Business Highlights for 2011

Gravel Pit

- Renovated pit to increase safety and improve operations
- Provided 12,042 tonnes of gravel to force main sewer project
- Generated \$189,492.46 in gross revenue
- Employed one hourly worker



Lands

- Trained crew of five to successfully maintain 25km of West Coast Trail
- Upgraded washrooms and showers at Pachena Bay campground
- Generated \$166,830.49 in gross revenue through campground, gas bar, and West Coast Trail agreement with Parks Canada

"I like working outdoors, being out there, meeting different people. Usually people are really jealous, asking, 'How did you get a job like that?'"

-Duane Nookemis, West Coast Trail Crew Supervisor

Spotlight on Huu-ay-aht Forestry

2011 was a busy year for Huu-ay-aht First Nation's forestry company, known officially as a **Forestry Limited Partnership**, or FLP. Not only did the company undergo a thorough review of all its operations, it also acquired the first First Nations Woodland Licence in the province. The 25-year renewable, long-term tenure—plus our long-term community forest tenure—means that the company is no longer a forestry contractor, but a tenure manager.

"That is something that really secures the future of Huu-ay-aht

First Nations," says HFN Development LP Chair, John Jack. "We now have a long-term supply of timber. If we manage that correctly over a number of years, the amount of money we can make goes up."

So does the amount of workers the company can employ. Currently providing work for 13 people (including six Huu-ay-aht citizens), the forestry company is the largest business owned by Huu-ay-aht First Nations. Three salaried staff carry out day-to-day administration and operations. Another four

hourly employees work at the Spencer Dryland Sort, a small log sorting yard also owned by Huu-ay-aht First Nations. Four more work at a shake and shingle operation, bucking, splitting, and cording blocks in preparation for milling. Two remaining employees work for the company in first aid and road construction.

Together the team has worked hard to realize the nation's goals for prosperity and economy. That hard work is starting to pay off.

"It was really challenging when I first joined our forestry team, but two and a half years later, I'm confident running an excavator – we're building and maintaining roads in our territory."

-C'ii čaa čis tuuł (Andy Clappis)

"One of the main highlights of 2011 has been the evolution of the forestry business," says Stan Coleman, Chief Executive Officer for the group of businesses. "It had a very good year, and is sitting in a profitable situation right now. The money it's borrowing to invest has a lot to do with forward planning."

That planning includes implementing changes from a review of operations carried out in 2011. For six weeks beginning in September, independent forestry consultants hired by HFN Development LP examined every aspect of the forestry business. From accounting and harvesting operations to marketing and sales, the review identified areas for improvement and recommendations for better overall operation.

The review also identified options for moving the company into



a more profitable position for the long term. Now Coleman and the forestry staff are using those options to set goals for the next five to ten years. "We're improving upon all areas and tracking our implementation," Coleman says. "The team has already been making improvements from the review itself. We're going to continue to do that."

Spotlight on Huu-ay-aht Forestry

One example of these improvements is a revamped accounting system that will meet the needs of the corporation and the forestry business. "I want to be able to share how we're doing with employees, our board of directors, and the economic development committee. I want to do this more often to help develop the kind of feedback that's useful to help people do their jobs," Coleman says.

Other improvements include increasing staff understanding of the company's safety management system. That includes training employees to take a leadership role in what they do every day, and to take care of themselves and those around them.

Mark Godard, a safety and environment consultant from Godard Management Services, provides safety and environmental support to the company. "Safety is the number one priority for Huu-ay-aht Forestry," he says. "It comes above cost. It also comes above production."

To exemplify that ethic, Godard and the HFN forestry staff and crew have maintained the company's BC Forest Safety Council certification since 2006. This year, crews also received training in S-100 Fire Suppression, and Safety, Workplace Hazard Materials Information Systems (WHMIS), and power saw certification. "We're continually offering training opportunities for our crew," he says.

A trained crew is a safe crew, and that's good business, says Godard. "It's important to protect people and the environment. When you do that, it costs less in the long run because you don't have negative things happening. Our commitment in this area is something we can be proud of."

That pride is reflected in the forestry company's ability to weather the recent economic downturn in the industry. Despite a few lean years, Huu-ay-aht Forestry enjoyed a successful 2011 in both production and profitability. "We harvested almost 100,000 m3 and had a helicopter logging operation," says Paul Dagg, the company's Planning Forester. "2011

was also the first year that we started harvesting and tree planting operations on our community forest. In 2012, we are going to start harvesting on our First Nations Woodland Licence."

With that kind of opportunity on the horizon, the Huu-ay-aht Forestry Limited Partnership has a very bright future. As a cornerstone of the HFN Development LP, that's good news for the nation and the community. "We have always been a free enterprise forestry company, and we pride ourselves on being cost effective," Dagg says. "We like to say that Huu-ay-aht Forestry is open for business."

The Huu-ay-aht Forestry Limited Partnership (LP) holds two separate tenures with different annual cuts:

- Community Forest (17,000m3)
- First Nations Woodland Licence (70,000m3)

Table 1: HFN Forestry Safety Statistics

	HFN	Grey Jay Timbair	Roc Star	Thomson	Dave Mills Cont.	Don Woodfin Trans.	Central Island
First Aids	1	0	0	0	0	0	0
Med. Inc.	0	0	0	0	0	0	0
Lost Time	1	0	0	0	0	0	0
Totals	2	0	0	0	0	0	0

Safety statistics are for the 2012 calendar year to date. These include HFN operations and contractors.



New Projects and Opportunities

2012 will bring further opportunities for Huu-ay-aht citizens and business partners to collaborate with HFN Development LP for the benefit of all. We have only scratched the surface of what's possible in our homelands, and we invite you to join us as we work for a prosperous Huu-ay-aht economy.

Some projects in the works include:

- A memorable brand that will represent the vision, values, and goals of Huu-ay-aht people
- An informative website where citizens and others can find information about businesses and projects
- Independent power projects on the Sarita River system. Currently HFN Development LP, in partnership with the Barkley Project Group, is undertaking water flow and biological surveys and applying for development funding for one project. The partners are also conducting surveys into other potential sites.
- Aquaculture projects. Although Huu-ay-aht's aquaculture businesses are currently inactive, the HFN Development LP is reviewing possibilities for the tenures, including identifying industry partners to operate on the tenures, evaluating maintenance costs, and leasing or selling the assets.
- Expanding tourism businesses. The HFN Development LP has been exploring opportunities for cultural tourism at the ancient village site of Kiixin. In 2011, the site was named a National Historic Site of Canada. The HFN Development LP hopes to develop guided tours on the Cape Beale Trail autonomously or in partnership with Parks Canada.
- Exploring the potential of a long-term forest management tenure on treaty settlement lands in partnership with Huu-ay-aht First Nations Executive Council, Huu-ay-aht government and citizens. The HFN Development LP can bring efficient, safe, and sustainable management to resources on these lands.
- Creating a company (known as Pachena Bay Contracting) made up of Huu-ay-aht forestry workers that could perform a variety of services for internal and external clientele. Expanding forestry, roadside, and environmental services, along with salvage harvesting, could mean year-round employment for the forestry crew. The expansion could also provide entrepreneurial opportunities for crew members.

Many more opportunities exist, and we are dedicated to pursuing those that align with the economic, environmental, and cultural values of Huu-ay-aht First Nations.

"Prior to our treaty we had one revenue generator, and that was forestry. The treaty is going to allow us to unlock the wealth in the land, and to diversify our economy away from just forestry and a little bit of fishing."

**-Aniitsichist (Larry Johnson),
Director of Lands and Natural
Resources**



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