Special People's Assembly
February 19, 2017

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   Addendum to Written Resolution
   Report on Proposed Western Forest Products Transaction
H. Additional Materials Provided at People's Assembly
January 29, 2017

To all Huu-ay-aht Citizens, PUBLIC NOTICE is hereby given that:

Executive Council has directed that a referendum be held to determine the opinion of Huu-ay-aht citizens with respect to the proposed Huu-ay-aht Sarita LNG Project.

The referendum question is:
"Do you approve the proposed Huu-ay-aht Sarita LNG Project?"

Attached, pursuant to the Referendum and Recall Act, s. 10(b)(ii), is a copy of Executive Council resolution #EC-2017-017.

A Special People’s Assembly will be held on February 19, 2017 at The Echo Center – 4255 Wallace Street, Port Alberni, BC, V9Y 3Y6. There will be satellite locations at the Anacla Government Office – 170 Nookemus Rd., Anacla, BC, V0R1B0 and Aboriginal Mothers Centre - 2019 Dundas St., Vancouver, BC, V5L 1J5 also the Coast Bastion Hotel - 11 Bastion St, Nanaimo, BC, V9R 6E4 and Songhees – Conference Room 1100 Admirals Rd, Victoria, BC, V9A 2P6, to allow for participation by citizens who are unable to travel to Port Alberni.

The day’s events will start at 9:30 a.m., with the formal presentation and discussion of the referendum question starting at 1:00 p.m.

Further details with respect to the day’s events will be provided in the coming days.

Yours truly,

[Signature]

Kim Chretien,
Law Clerk
To all Huu-ay-aht Citizens,

PUBLIC NOTICE is hereby given that at the Special People’s Assembly on February 19, 2017, the matter of a proposed transaction with Western Forest Products and necessary approvals under the Land Act will be discussed in addition to the referendum question that was the subject of public notice dated January 29, 2017.

Please see the attached proposed agenda, which includes details about the location and time of the Special People’s Assembly, and the attached proposed motion regarding the proposed Western Forest Products transaction.

Kim Chretien,
Law Clerk
2017 Special Session of the People’s Assembly
February 19, 2017
Echo Centre, 4255 Wallace Street, Port Alberni

with satellite locations in:
- Anacla at the Government Office, 170 Nookemus Road
- Nanaimo at the Coast Bastion Hotel, 11 Bastion Street
- Victoria at the Songhees Conference Room, 1100 Admirals Road
- Vancouver at the Aboriginal Mother Centre Society, 2019 Dundas Street

9:30 a.m. Morning information sessions about:
   a. The March 25 referendum vote on the Huu-ay-aht Sarita LNG Project
   b. The proposed Sarita Bay Lands Transaction with Western Forest Products

   Documentary film screening: "Coming Home"

12 p.m. Lunch

1 p.m. Formal Special People’s Assembly Session Proposed Agenda:

1. Adoption of Agenda

2. Presentation and Discussion regarding the March 25 Referendum Question as proposed:
   “Do you approve the proposed Huu-ay-aht Sarita LNG Project?”

3. Presentation and Discussion regarding Proposed Sarita Bay Lands Transaction with Western Forest Products.
   Motion for related approvals under the Land Act.

4. Adjournment

Dinner will be served following the voting session

Please note: In accordance with requests from citizens, cultural healers will be present to brush off attendees entering or leaving the Assembly, if they so wish.
For ease of reference, this motion may be referred to as:

**Motion Regarding Approval of Proposed WFP Transaction**

*Whereas:*

a) Subject to the necessary approvals by the People’s Assembly and other requirements under Huu-ay-aht Law, Huu-ay-aht First Nations Executive Council and the Ha’wiih Council have approved a transaction with Western Forest Products (“WFP”, the “Proposed WFP Transaction”) on the following terms:

- Huu-ay-aht would acquire lands at Sarita Bay (shown on the map at Appendix B of the attached report, referred to in this motion as the “Sarita Bay Lands”) from WFP for $3 million;

- The interest acquired by Huu-ay-aht would not include the standing timber on the Sarita Bay Lands and would be subject to certain use restrictions, in particular the lands would be subject to a restrictive covenant that would prevent Huu-ay-aht from operating a timber sort on the lands;

- Huu-ay-aht would lease back a portion of the Sarita Bay Lands used by WFP as a dryland timber sort to WFP for a period of 99 years in accordance with the terms set out in Appendix A of the attached report and would grant a statutory right of way to allow WFP access to the dryland sort; and

- The Huu-ay-aht would, through HFN Forestry LP, sell 200,000 m$^3$ to WFP.

b) Under the *Land Act*, s. 5, People’s Assembly approval is required for the acquisition of land with a fair market value greater than $1,000,000; and

c) Under the *Land Act*, s. 27, People’s Assembly approval is required for the disposition of an interest in Huu-ay-aht Lands if the interest is in a parcel greater than 10 hectares, the term of the interest is greater than 49 years or the appraised fair market value of the interest exceeds $1,000,000.

**Be it resolved** that the People’s Assembly hereby approves the Proposed WFP Transaction as outlined in the attached report and presented to citizens present at the People’s Assembly, including approval of:

i) the acquisition of the Sarita Bay Lands in accordance with the *Land Act*, s.5, subject to all restrictions contemplated in the attached report and discussed in the presentation including but not limited to the reservation of all standing timber and the registration of a restrictive covenant;

ii) the leaseback of the dryland sort lands to WFP on the terms outlined;

iii) granting a statutory right of way to WFP to allow access to the leased lands;

iv) granting HFN Forestry LP a 200,000 m$^3$ timber licence for the harvest of timber from the areas shown on the maps in Appendix B to the attached report; and

v) granting any other ancillary interests necessary to give effect to the WFP Transaction.

**Appendices attached to Motion:**

Written report prepared by Rob Botterell, on behalf of Executive Council.
The following documents:

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<th>Introduced by:</th>
<th>Date: February 19, 2017</th>
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MINUTES OF PEOPLE'S ASSEMBLY
February 19, 2017
Port Alberni, British Columbia,
with satellite locations in Anacla, Nanaimo, Vancouver and Victoria

The People’s Assembly was called to order at 1:14 p.m.
Tayii ḥawiił xiishin, Derek Peters administered the Speaker’s Oath and Huu-ay-aht Oath.

1) Adoption of Agenda
VERBAL MOTION re Adoption of Agenda PASSED BY CONSENSUS
Resolution #PA-2017-01

2) Presentation and Discussion Regarding the March 25 Referendum
Presentation by Councillor John Jack regarding the referendum question.
Benson Nookemus was invited to address the People’s Assembly regarding his views on the proposed project.
Chief Councillor Robert Dennis, Councillor John Jack, Rob Botterell and Bob Bocking responded to comments and questions from the People’s Assembly.

3) Western Forest Products Update
Presentations by Rob Botterell and Stan Coleman.
Chief Councillor Robert Dennis, Councillor John Jack and Rob Botterell responded to comments and questions from the People’s Assembly.
VERBAL MOTION re Voting by Secret Ballot PASSED BY CONSENSUS
Resolution #PA-2017-02

WRITTEN MOTION Re Approval of Proposed WFP Transaction PASSED FOLLOWING VOTE
Resolution #PA-2017-03

In response to a request from a citizen, Rob Botterell committed that the record of proceedings would include legal descriptions of the parcels that are the subject of the above motion.

The People’s Assembly was adjourned at 4:47 p.m.
## Motion

**Motion Regarding:** Adoption of Agenda

**Summary of motion:**
To adopt the agenda as proposed.

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**Introduced by:**

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<thead>
<tr>
<th>Name</th>
<th>Date</th>
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<tr>
<td>Roy Warner</td>
<td>February 19, 2017</td>
<td>[Signature]</td>
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**Huu-ay-aht Citizen**

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**Seconded by:**

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<th>Name</th>
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<tbody>
<tr>
<td>Laverne Cook</td>
<td>February 19, 2017</td>
<td>[Signature]</td>
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**Huu-ay-aht Citizen**

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**Record of decision:**

- ☑ Adopted by consensus
- □ Recorded vote called by [Name]

**Record of vote:**

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<th>Opposed</th>
<th>Abstentions</th>
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**Resolution Number**

- □ Did not pass
- □ Passed by People's Assembly as Resolution #: PA2017 - 01

**February 19, 2017**

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**Date**

[Signature of Speaker]
2017 Special Session of the People’s Assembly
February 19, 2017
Echo Centre, 4255 Wallace Street, Port Alberni

with satellite locations in:
- Anacla at the Government Office, 170 Nookemus Road
- Nanaimo at the Coast Bastion Hotel, 11 Bastion Street
- Victoria at the Songhees Conference Room, 1100 Admirals Road
- Vancouver at the Aboriginal Mother Centre Society, 2019 Dundas Street

9:30 a.m.  Morning information sessions about:
  a. The March 25 referendum vote on the Huu-ay-aht Sarita LNG Project
  b. The proposed Sarita Bay Lands Transaction with Western Forest Products

Documentary film screening: "Coming Home"

12 p.m.  Lunch

1 p.m.  Formal Special People’s Assembly Session Proposed Agenda:
  1. Adoption of Agenda
  2. Presentation and Discussion regarding the March 25 Referendum Question as proposed:
     “Do you approve the proposed Huu-ay-aht Sarita LNG Project?”
  3. Presentation and Discussion regarding Proposed Sarita Bay Lands Transaction with Western Forest Products.
     Motion for related approvals under the Land Act.
  4. Adjournment

Dinner will be served following the voting session

Please note: In accordance with requests from citizens, cultural healers will be present to brush off attendees entering or leaving the Assembly, if they so wish.
Record of VERBAL Resolution of the PEOPLE'S ASSEMBLY

(Government Act, s. 86, 87)

<table>
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<tr>
<th>Motion</th>
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<tr>
<td>Motion Regarding: Voting by Secret Ballot</td>
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Summary of motion:
To vote on the Approval of Proposed WFP Transaction by secret ballot.

Introduced by:

**Benson Nockemis**  
Huu-ay-aht Citizen  
February 19, 2017  
Signature of Citizen

Seconded by:

**Hilda Nockemis**  
Huu-ay-aht Citizen  
February 19, 2017  
Signature of Citizen

Record of decision:

☑ Adopted by consensus  OR  ☐ Recorded vote called by

Huu-ay-aht Citizen

Record of vote:

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<th>Opposed:</th>
<th>Abstentions:</th>
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Resolution Number

☐ Did not pass  OR  ☑ Passed by People's Assembly as Resolution #: PA2017 - OR

February 19, 2017  
Signature of Speaker
HUU-AY-AHT FIRST NATIONS

Referendum Question: Do you approve the proposed Huu-ay-aht Sarita LNG Project?

For Consideration at the Special Session of the Huu-ay-aht First Nations People’s Assembly on February 19, 2017

Prepared by: Rob Botterell, Legal Counsel
on behalf of Executive Council

Date: January 30, 2017
Background

In 2014, the Huu-ay-aht First Nations signed an Opportunity Development Agreement with Steelhead LNG, a Vancouver-based energy company focused on LNG project development in British Columbia, which committed the two partners to exploring the possibility of a natural gas liquefaction and export facility located on Huu-ay-aht First Nations-owned land at Sarita Bay.

The project proposal was later presented at the November 2014 People’s Assembly, and, together as a Nation, we passed a resolution to continue exploring the proposed Project.


Please refer to Appendix A for a description of the proposed Huu-ay-aht Sarita LNG Project and the co-management relationship agreement reached between Huu-ay-aht First Nations and Steelhead LNG.

Executive Council and the Hāwiłh Council have approved this agreement in principle subject to citizens making a final decision on whether or not to support the Huu-ay-aht Sarita LNG Project (LNG Project) in a referendum vote.

Discussion

Executive Council has called for a referendum under the Huu-ay-aht Referendum and Recall Act to determine the opinion of Huu-ay-aht citizens.

Under the Referendum and Recall Act, s. 5 (d), the referendum question must be clear, concise, and impartial with the only possible answer being “Yes” or “No”.

Executive Council presents the following referendum question to the People’s Assembly:

Do you approve the proposed Huu-ay-aht Sarita LNG project?

Under the Referendum and Recall Act, s. 11, Executive Council must call a session of the People’s Assembly to present the referendum question. After receiving and considering input from the People’s Assembly, Executive Council may decide to amend the referendum question or may decide to cancel the referendum.

This People’s Assembly provides an opportunity to discuss, share information, and answer questions regarding the proposed Huu-ay-aht Sarita LNG Project, and for citizens to provide input into the wording of the referendum question.

The final decision on whether or not to support the proposed Huu-ay-aht Sarita LNG Project will be made by citizens in a referendum vote on March 25, 2017.
The vote will be conducted in a similar fashion to the process for electing councillors – there will be voting at voting places on March 25 and the opportunity to vote by mail-in ballot. Formal notice of the vote will be provided by the commissioner, who has been appointed by Executive Council under the *Referendum and Recall Act*.

**Options & Implications**

The People’s Assembly may provide input on the referendum question which Executive Council will consider in determining whether to amend the question.

Huu-ay-aht First Nations has received funding (with no strings attached) to pay for referendum costs so holding the referendum does not have financial implications for the Huu-ay-aht. As is set out in Appendix A, the decision to approve or not approve the project could have significant financial implications for the Huu-ay-aht.

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**APPENDIX A**

*Proposed Huu-Ay-Aht Sarita LNG Project*

**Project Overview**

&

**Proposed Co-Management Agreement Between Huu-Ay-Aht And Steelhead**

*Please Refer To Attached Information Prepared By Huu-Ay-Aht First Nations*
Appendix A

Proposed Huu-ay-aht Sarita LNG Project

Project Overview & Proposed Co-management Agreement Between Huu-ay-aht and Steelhead

Prepared by: Rob Botterell, Lead Negotiator on behalf of Huu-ay-aht Negotiation Team

Date: January 30, 2017
Jan 25, 2017

Dear Huu-ay-aht Citizens,

We envision a safe, healthy, and sustainable community, where our culture, language, spirituality, and economy flourish for all. Through treaty, we have the opportunity to realize our strategic vision and make our own economic development decisions that will advance the Nation for the benefit of our people. Our sacred principles and commitment to environmental stewardship continue to be at the forefront, and all activities undertaken are done in a way that respects our values and will continue to sustain generations to come.

Since it was decided as a community in November 2014 to explore the proposed Sarita LNG project, we have taken the necessary steps to equip ourselves with reliable information and engage in discussions and negotiations with Steelhead. We designed our own “Made-in-Huu-ay-aht” LNG decision-making process, and we have engaged with citizens and explored this together, without influence from industry.

This opportunity has the potential to sustain our people, improve our quality of life, and generate employment and business opportunities that can bring our people home. We have carefully and thoughtfully acted to explore this project in a good way, listening to and addressing the concerns of our citizens.

As your traditional and elected leadership, we recommend the approval of the proposed Sarita LNG project. It has been our priority to ensure citizens are equipped with as much information as possible to make an informed decision about the proposed Sarita LNG project.

Information will continue to be shared over the coming weeks leading up to the referendum vote on March 25, 2017. It is now up to you to review the information we have set forth and decide for yourselves what you believe is in the best interest of the Nation moving forward.
If you have any questions or would like more information on the referendum or anything related to the proposed Sarita LNG project, we want to hear from you:

- Send an email to rebecca.h@huuayaht.org
- Request a home visit, email falicia.d@huuayaht.org
- Look up information on our website
- Message us on Facebook @HuuayahtFN
- Follow us on Twitter @HuuayahtFN
- Call us in Anacla 250-728-3414 or 1-888-644-4555
  or Port Alberni 250-723-0100
- Stop by our office in Anacla at 170 Nookemus Road
  or in Port Alberni 4644 Adelaide

We would like to thank you for taking the time to inform yourself about this project and the important decision you will have to make about whether or not to support the project.

On behalf of Tayii Ḩawilh and Executive Council,

[Signatures]

Xiišin Derek Peters

Robert Dennis
Project Overview

History

In 2014, the Huu-ay-aht First Nations signed an Opportunity Development Agreement with Steelhead LNG, a Vancouver-based energy company focused on LNG project development in British Columbia. This Agreement committed the two partners to exploring the possibility of a natural gas liquefaction and export facility located on Huu-ay-aht First Nations-owned land at Sarita Bay.

The project proposal was later presented at the November 2014 People’s Assembly, and, together as a Nation, we passed a resolution to continue exploring the proposed Sarita LNG project.

Over the past year, our Huu-ay-aht Negotiating Team, on instructions from Executive Council, have been engaged in discussions and negotiations with Steelhead.

We have held six separate rounds of community engagement sessions with Huu-ay-aht citizens to provide information and updates since 2014. Ongoing updates included over 20 meetings and presentations with neighbouring First Nations and communities, Ha'wilth and Executive Council, committees, and staff.


The final decision whether or not to approve the proposed project will now be made by citizens in a referendum vote to be held on March 25, 2017.
Project

Location

The proposed project would be located on approximately 726 acres of Huu-ay-aht First Nations-owned land at Sarita Bay, about 10 km north of Bamfield in an area known as the Heart of the People. For reference, this area represents much less than 1% of the Hahoulthee of the Huu-ay-aht Háwilh.

This site was selected partially due to its easy access to the Pacific, flat topography, deep water, and natural protection in the bay. Not all of the land area would be developed or used for the facility, some of it will also be used as safety zones, which are like buffers for the facility that include trees and other plants. The land would still belong to Huu-ay-aht if the project were to go ahead, but the land would be leased to Steelhead.

The project site includes a 176-acre parcel currently owned by Western Forest Products (WFP) on which a log sort is operated. Huu-ay-aht has an agreement, subject to People’s Assembly approval, to acquire these lands from WFP. The Huu-ay-aht Sarita LNG Project cannot proceed without the WFP lands. However, regardless of whether or not the LNG project proceeds, incentives to purchasing these lands back from WFP offer additional uses for housing, tourism, a site for deep sea port, and furthering relationships with WFP.

Steelhead LNG has agreed to minimize the footprint of the project and stay away from the Sarita River end of the project site as much as reasonably possible. The project will not displace current residences, the cemetery, or involve any construction on Santa Maria Island. Importantly, the project will be designed, constructed, operated, and decommissioned in a manner that does not negatively impact the Sarita River or Estuary.

This map of the Huu-ay-aht Treaty Area shows the location of the project within the Huu-ay-aht Hahoulthee, as well as the project boundary.
Project Description

Steelhead has export permits for a 24-million ton per annum (MTPA) LNG export facility with a 25 year operating life. The project will be built in multiple stages, each of a certain capacity that accounts for both LNG markets and engineering considerations. The proposed project would be developed in four stages:

Stage 1 is the Preliminary Assessment and Screening phase where the initial environmental and technical assessments are conducted.

Stage 2 is the Feasibility phase, which will involve expanded environmental and technical studies.

Stage 3 is the Basis of Design phase, which is when the basis for technical and project development is established. It is expected that this is the stage at which Steelhead and Huu-ay-aht would enter into the necessary environmental regulatory approvals process from B.C. and Canada.

Stage 4 is when Front End Engineering and Design (FEED) takes place and includes comprehensive environmental consideration and is prepared for engineering and construction. This is the stage at which Steelhead and Huu-ay-aht would continue through the necessary environmental approval processes and seek other regulatory approvals from B.C. and Canada.
After Stage 4, if environmental and regulatory green lights are received, then the Steelhead Board of Directors, including a Huu-ay-aht director, will decide whether or not to make a final investment decision. If the Board reaches positive final investment decision, then construction would begin.

Extensive community engagement and consultation will continue through all stages.

NOTE For several reasons including uncertainties in world markets, economic considerations, and regulatory approvals to be obtained, there is no guarantee this project will proceed to commercial operations. However, if Huu-ay-aht citizens approve the project, investors are currently prepared to take these business risks and spend over $150 million to pursue the four-stage process.

Co-Management Relationship Agreement Between Huu-Ay-Aht & Steelhead

Huu-ay-aht has negotiated agreements with Steelhead that create a co-management relationship designed to enable the Nation to ensure Huu-ay-aht interests are advanced and protected. It is the details of this agreement that citizens need to consider in determining whether or not the proposed Sarita LNG project is acceptable or not.

Unlike other LNG projects, we are involved very early on at the outset of the project. This means that we have a much greater opportunity to ensure our interests are taken into account. The challenge is that we will not see a detailed design for some time.

We have therefore negotiated a relationship agreement with Steelhead that ensures we have a seat at the decision making table to ensure our rights and interests are respected through each project phase.

We have negotiated a co-management framework for the life of the project that has the following elements:

1. **Project Oversight Board & Environmental Management Framework** to ensure the rights and interests of Huu-ay-aht are respected and world-leading standards are met, subject to commercial and technical viability being maintained. Refer to Appendix A for more detailed information.

2. **Huu-ay-aht Seat on the Steelhead Sarita Board** to ensure the Nation has a seat at the table where major project decisions are made. Refer to Appendix B for more detailed information.
3. **Meaningful Employment and Business opportunities** for Huu-ay-aht throughout life of the project. Refer to **Appendix C** for more detailed information.

4. **Down Payment** to pay for Huu-ay-aht project commitments whether or not the project proceeds to positive final investment decision. For example, the down payment would be used for the purchase of land required for the project, Huu-ay-aht participation with its own expert advice in project decisions and, importantly, immediate community accommodation measures. Refer to **Appendix D** for more detailed information.

5. **Revenue Sharing Payments** in each year of the 25-year operating life of each phase of the project and **Option to be a Shareholder** in the project to increase the financial return to Huu-ay-aht. Refer to **Appendix E** for more detailed information.

**NOTE** Huu-ay-aht will not have a veto over project decisions. Also, the project must be designed to make it commercially viable, and even if it is, world markets can change ending the project early. It will be up to Huu-ay-aht through its membership on the Project Oversight Board and the Steelhead Corporate Board of Directors to ensure Huu-ay-aht interests are advanced and protected.

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### The 14 Conditions

The **14 Conditions** represent a process by which the Nation has acted in making an informed decision over our lands and resources for generations to come. These conditions were prescribed by ḥawilh at the outset of negotiations providing a set of requirements that would need to be met before the Nation could even consider proceeding with the proposed LNG project.

1. **The proposed Project follows the cores values of Hišuk ma čawak, ?uu?ałuk, and ?iisaaq.**

    These core values are built into the Project Oversight Board and Environmental Management Framework for the Project.

2. **Adheres to environmental best management practices and stewardship.**

    The Project Oversight Board and Environmental Management Framework together with provision of funding will give us the tools we need to ensure environmental best management practices and stewardship.
3. Provides a net gain of cultural heritage values and/or traditional use areas through conservation and set aside.

This will be a key element of the Environmental Management Framework. As well, the down payment and financial returns from the project, should it proceed to commercial operations, will enable Huu-ay-aht to begin restoration of other areas of the Hahoulthee of the Huu-ay-aht Ḥawiił. An example is restoration of the Sarita and Pachena watersheds.

4. The acquired lands will be converted into TSL prior to the disposition of a lease of long-term interest.

Yes.

5. The proposed Project is financially viable and rewards to the satisfaction of its participants.

The project must be financially viable to proceed to positive final investment decision and commercial operations. The returns to Huu-ay-aht also depend on the project being financially viable. The Nation will participate on the Project Oversight Board and on the Steelhead Sarita Board of Directors to ensure this is the case.

6. The proposed Project is demonstrably safe.

The Project Oversight Board and the Environmental Management Framework are designed to enable Huu-ay-aht to ensure the project is demonstrably safe.

7. The proposed Project, through the Generations Fund, restores and enhances the Sarita River and the marine and aquatic resources in the surrounding area, including the full return of the Sarita River salmon run.

Huu-ay-aht has developed a restoration plan for the Sarita and the Patina watersheds. If the project proceeds to commercial operations, then there will be sufficient funds to cover the over $150 million cost to undertake and successfully complete this work over the life of the project. In the meantime, a portion of the down payment could be used to get this restoration work underway.

8. The proposed Project meets or exceeds regulatory requirements and achieves B.C. and Federal Government support through agreements such as the Tax Treatment Agreement and the Environmental Assessment Plan.

Huu-ay-aht and Steelhead will work to achieve a world-leading standard of environmental and regulatory management. We will jointly seek Provincial and Federal government financial, tax, and other support once the project design is more advanced. Huu-ay-aht First Nations will also negotiate an impact and benefits agreement with British Columbia once the project is more advanced.
9. The proposed Project secures project financing on commercially reasonable terms.

The co-management relationship is structured to ensure the project is financially viable while also addressing Huu-ay-aht’s environmental, economic, social, and other concerns to the greatest extent possible.

10. The proposed Project establishes an independent reclamation fund to ensure the land will be returned to a state acceptable to the Huu-ay-aht or repurposed for new projects, whichever is decided by Huu-ay-aht at that time.

The lease for the project site will include provisions for a fund to ensure the site is returned to a state acceptable to Huu-ay-aht after decommissioning.

11. The proposed Project includes everything required for customer to pick up an LNG cargo.

Yes.

12. The proposed Project is subject to responsive and timely plans used to guide processes to consult with affected or neighbouring First Nations, local communities, and regional communities in accordance with the definition of “consult” in the Maa-nulth Final Agreement, with the amendments necessary to make the term applicable to this context (“consult”, ”consultation”) and the proponents of the proposed Project seek to have those plans integrated into any appropriate Huu-ay-aht, provincial, and federal processes in which consultation is required.

If citizens approve the project, Huu-ay-aht will use down payment funding to engage fully with affected or neighbouring First Nations, local communities, and regional communities.

13. The proposed Project is subject to internal consultation processes within the Huu-ay-aht community, including regular progress reports to the Huu-ay-aht community throughout the year, culminating in an in-depth status report and update presented at each regular People’s Assembly held while the proposed Project is in development, construction, or operation.

Yes. There will be ongoing internal updates and engagement with Huu-ay-aht citizens throughout the life of the project.
14. By March 31, 2015 a special committee be struck to receive and review progress reports made to the Huu-ay-aht community in accordance with the 13 condition and any related materials and give advice concerning the proposed Project to the People’s Assembly, the Huu-ay-aht Council and Council of Ḫawiiłḥ.

An advisory committee has been struck and includes the following members: John Jack (chair), Derek Peters, Becki Nookemis, Brian Lucas, Norman Dennis, and R. Todd Dennis.

If you have any questions or would like more information on the referendum or anything related to the proposed Huu-ay-aht Sarita LNG Project please:

- Call us at 250-723-0200 or 1-888-644-4555
- Send an e-mail to rebecca@huuayaht.org
- Follow us on Facebook or Twitter @huuayahtFN
- Stop by our offices at
  4644 Adelaide, Port Alberni
  170 Nookemus Road, Anacla

We will ensure you receive a full response to your question or request for information as soon as possible and within 24 hours.
APPENDIX A

Project Oversight Board And Environmental Management Framework

Overview

The Huu-ay-aht First Nations LNG negotiating team and Steelhead LNG have reached agreement on a Project Oversight Board and Environmental Management Framework that sets out how the environment will be protected and managed if an LNG export terminal is constructed and operated within HFN territory. Environment refers here to the natural world, social, cultural, health, and economic environments that would be affected by the Sarita LNG (SLNG) Project.

This Environmental Management Framework is built on four cornerstones:

1. Hišuk ma čawak (everything is one), ?uuʔałuk (taking care of), ?iłisaak (greater respect)

2. Avoid, Minimize or Mitigate Environmental Impacts

3. Co-Management under a Project Oversight Board (POB)

4. Commitment to World-Leading Environmental Management

Hišuk ma čawak, ?uuʔałuk, and ?iłisaak These three sacred values of the HFN culture have guided the HFN negotiating team’s environmental work with Steelhead LNG and will be embodied by HFN and Steelhead LNG in all aspects of the SLNG Project.

Avoid, minimize or mitigate environmental impacts The environmental management framework is intended to ensure that the SLNG Project is designed, constructed, and operated to avoid, minimize, or mitigate harmful impacts on the environment including habitat systems, air, and water quality, and plant and wildlife. The framework will also enable us to avoid, minimize, or mitigate impacts on traditional use opportunities on Huu-ay-aht lands. Social, cultural, and economic effects will be avoided, minimized, or mitigated.

The Project Oversight Board will be responsible for implementing all aspects of the Environmental Framework and is critical to the environmental success of the SLNG Project. Key attributes of the Board include:

- Co-chaired by HFN and SLNG with equal representation.
- Supported by expert professional advice.
- Ensure outcomes are World-Leading, wherever commercially and technically possible, including exceeding regulatory standards, commitments, and obligations. Best practices will be the minimum threshold.
• Ensure outcomes are World-Leading, wherever commercially and technically possible, including exceeding the needs and interests of the parties.
• Facilitate the use of progressive standards and practices involving technology and procedures to mitigate environmental risk.
• Provide funding to Huu-ay-aht sufficient to allow Huu-ay-aht to fully participate on Project Oversight Board with expert independent advice, and if it wishes, pay for World-Leading solutions which are not otherwise commercially viable.
• Provide for an independent dispute resolution mechanism.

A Commitment to World-Leading Environmental Management means that HFN can be assured that the best available commercially and technically viable procedures and technologies will be used at the LNG terminal during construction and operations and to safeguard the environment. Key to this commitment to World-Leading will be successful implementation of the environmental management framework to reduce or eliminate environmental risks wherever commercially possible, to ensure that the project accommodates community interests in a manner that is timely, credible, effective, and adaptive.

Diagram: Environmental Framework
The Environmental Management Framework consists of the following key aspects:

- **Valued Components** to be assessed for potential impacts (those aspects of the environment that are important to HFN and that could be harmed by the SLNG Project). The Valued Components have been jointly developed by HFN and Steelhead LNG and are inclusive of concerns identified by Huu-ay-aht citizens.

- **Baseline Studies** that will provide current and, where appropriate, historical information on the Valued Components and will help us to understand how the SLNG Project might affect them and what can be done to avoid or mitigate those impacts. The HFN team and Steelhead LNG will jointly develop the terms of reference for baseline studies and exploring opportunities for HFN to be engaged and even lead some of these studies.

- **Environmental Assessment and Permitting** processes that address community needs and interests and that are comprehensive and timely.

- **Environmental Management** that is World-Leading, that reduces environmental risks and ensures that the project accommodates community interests in an adaptive, effective, and timely manner. A comprehensive suite of environmental management plans will be jointly developed by HFN and Steelhead LNG utilizing qualified professionals.

- **Monitoring and Compliance** programs to help understand the effects of the project during construction, operation, and closure in order to inform improvements in the overall environmental management of the SLNG Project.

- **Offsets and Enhancements** will be put into effect in cases where environmental impacts occur as well as in an effort to generally improve environmental (natural world, social, cultural, health, and economic) conditions in Huu-ay-aht territory including the Sarita and Pachena Watersheds.
APPENDIX B
Huu-Ay-Aht Seat On The Steelhead Sarita Board

Overview

The Board of Directors of Steelhead review relevant information and make all major project decisions including but not limited to:

- Approving annual project budget;
- Entering into major contracts, agreements, or project commitments;
- Approving final project design, construction, and operation timetable;
- Deciding how to best address major project issues;
- Overseeing the project to ensure it is completed on time and on budget; and
- Other major project decisions.

Current Steelhead Board Members: Nigel Kuzemko, Jeff van Steenbergen, Jason Montemurro, Geoff Plant, and Patrick Carlson.

Executive Council will appoint a Huu-ay-aht Board Member who will be able to participate in and vote on all matters coming to the Sarita Board, except where a conflict of interest exists. This Board member will have all the obligations, liabilities, fiduciary duties, and board member insurance applicable to other directors.

Steelhead and Huu-ay-aht paddling together (photo credit: Brandon Thompson)
APPENDIX C
Employment And Business Opportunities

Business Opportunities Involving Steelhead Or Steelhead Contractors:

• Preferred award of project contracts to qualified Huu-ay-aht owned businesses if competitive within an agreed range.
• Contract awards assessed on total best value criteria applicable to all bidders.
• Huu-ay-aht and Steelhead collaborate to define in advance available business opportunities at each phase of project.
• Preferred percentage is 15% of total value of contracts in each project phase (subject to certain agreed up on carve outs).
• Overall goal of Huu-ay-aht and Steelhead is to ensure business opportunities for all interested, qualified, and price competitive HFN businesses.
Employment Opportunities:

HFN Training and Employment Office established for life of project to support Huu-ay-aht training and employment at each phase of project.

Preference for interested, qualified Huu-ay-aht citizens and family members to meet defined percentage of total full time equivalent positions required by project (subject to certain agreed upon carve outs).

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Development</th>
<th>15% of positions</th>
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<tbody>
<tr>
<td>Phase 2</td>
<td>Construction</td>
<td>10% of positions</td>
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<tr>
<td>Phase 3</td>
<td>Operations</td>
<td>15% (year 1) to 25% (year 10) of positions</td>
</tr>
<tr>
<td></td>
<td>Decommissioning</td>
<td>15% of positions</td>
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Overall goal of Huu-ay-aht and Steelhead is to ensure citizens have access and opportunity for training to prepare for positions and to ensure meaningful employment opportunities for all interested and qualified Huu-ay-aht citizens and family members.
APPENDIX D
Down Payment

Huu-ay-aht First Nations negotiated a down payment of $29.5 million payable over three years to cover the initial costs of Huu-ay-aht co-management level participation in this LNG export project. Unless Steelhead abandons the project in the next three years these funds will be fully paid whether or not the LNG project proceeds to construction and operation.

If citizens approve the project, over $150 million of Steelhead project development work will get underway, and the Huu-ay-aht government will allocate approximately $22.5 million of the $29.5 million to meet binding Huu-ay-aht project commitments. Examples include but are not limited to:

- Purchase of lands required for the project;
- Establishment and operation of employment and training office;
- Full participation on Project Oversight Board and Steelhead Sarita Board of Directors;
- Expert Huu-ay-aht environmental reports related to project design;
- Full participation in environmental and regulatory processes;
- Huu-ay-aht business opportunity evaluation and structuring; and
- Ongoing internal and external engagement.

Importantly, this will leave $7 million available for the Huu-ay-aht government to allocate to immediate community accommodation measures in areas such as restoration of the Sarita and Pachena watersheds, development of cultural and heritage resources, negotiation of road improvements, as well as setting aside savings for future needs.
APPENDIX E
Revenue Sharing Payments & Option To Be Shareholder

Huu-ay-aht and Steelhead have negotiated an all-inclusive financial package which is valued as follows over the 25-year operational life of each stage (Sarita 1, 2, 3) of the project. These financial returns are substantial to reflect Huu-ay-aht's co-management role, Huu-ay-aht project commitments, the use of priceless Huu-ay-aht lands in this project, and the 25 year impact of each stage of this project.

Importantly, this will provide Huu-ay-aht the necessary funds to fully implement the Huu-ay-aht Strategic Plan and Ancient Spirit Modern Mind commitments.

<table>
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<tr>
<th>Sarita 1 – 12 MTPA</th>
<th>Cash equal to about one treaty per year</th>
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<tbody>
<tr>
<td>Sarita 2 – 6 MTPA</td>
<td>Cash equal to about ½ treaty per year</td>
</tr>
<tr>
<td>Sarita 3 – 6 MTPA</td>
<td>Cash equal to about ½ treaty per year</td>
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</tbody>
</table>

In addition, Huu-ay-aht will have the opportunity, at positive financial investment decision for each phase, to purchase an equity interest in the project. This could amount to an additional ½ treaty per year for each of Sarita 1, 2 and 3.

The return on this equity investment will depend on the overall profitability of the project and will be low at the beginning and increase over time as Steelhead's project debt is paid off. This equity investment will provide a hedge against inflation and will increase overall project returns to Huu-ay-aht.

A variety of other provisions are intended to enable Huu-ay-aht to explore ways to increase its overall financial returns. These include:

- Identifying and securing other sources of project funding from B.C. and Canada;
- Purchasing further equity interests;
- Tax sharing agreements with B.C. and Canada; and
- Huu-ay-aht investment in pipeline infrastructure and power facilities.

**NOTE:** All these financial returns could drop or stop if the project is no longer financially viable at some point after commercial operations commence.
### Motion

**Motion Regarding:** Approval of Proposed WFP Transaction

**Introduced by:**

Chief Councillor Robert Dennis  
Huu-ay-aht Citizen  
February 19, 2017

Signature of Citizen

**Seconded by:**

Jeff Cook  
Huu-ay-aht Citizen  
February 19, 2017

Signature of Citizen

### Record of decision:

☐ Adopted by consensus  OR  ☑ Recorded vote called by Jeff Cook  
Huu-ay-aht Citizen

### Record of vote:

<table>
<thead>
<tr>
<th>Members in Favour:</th>
<th>Members Opposed:</th>
<th>Abstentions:</th>
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</thead>
<tbody>
<tr>
<td>92</td>
<td>25</td>
<td>1</td>
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### Resolution Number

☐ Did not pass  OR  ☑ Passed by the People's Assembly as Resolution #: PA2017-03

February 19, 2017  
Signature of Speaker
For ease of reference, this motion may be referred to as:

Motion Regarding Approval of Proposed WFP Transaction

Whereas:

a) Subject to the necessary approvals by the People’s Assembly and other requirements under Huu-ay-aht Law, Huu-ay-aht First Nations Executive Council and the Ha’wilch Council have approved a transaction with Western Forest Products ("WFP", the “Proposed WFP Transaction”) on the following terms:

- Huu-ay-aht would acquire lands at Sarita Bay (shown on the map at Appendix B of the attached report, referred to in this motion as the “Sarita Bay Lands”) from WFP for $3 million;
- The interest acquired by Huu-ay-aht would not include the standing timber on the Sarita Bay Lands and would be subject to certain use restrictions, in particular the lands would be subject to a restrictive covenant that would prevent Huu-ay-aht from operating a timber sort on the lands;
- Huu-ay-aht would lease back a portion of the Sarita Bay Lands used by WFP as a dryland timber sort to WFP for a period of 99 years in accordance with the terms set out in Appendix A of the attached report and would grant a statutory right of way to allow WFP access to the dryland sort; and
- The Huu-ay-aht would, through HFN Forestry LP, sell 200,000 m³ to WFP.

b) Under the Land Act, s. 5, People’s Assembly approval is required for the acquisition of land with a fair market value greater than $1,000,000; and

c) Under the Land Act, s. 27, People’s Assembly approval is required for the disposition of an interest in Huu-ay-aht Lands if the interest is in a parcel greater than 10 hectares, the term of the interest is greater than 49 years or the appraised fair market value of the interest exceeds $1,000,000.

Be it resolved that the People’s Assembly hereby approves the Proposed WFP Transaction as outlined in the attached report and presented to citizens present at the People’s Assembly, including approval of:

i) the acquisition of the Sarita Bay Lands in accordance with the Land Act, s.5, subject to all restrictions contemplated in the attached report and discussed in the presentation including but not limited to the reservation of all standing timber and the registration of a restrictive covenant;

ii) the leaseback of the dryland sort lands to WFP on the terms outlined;

iii) granting a statutory right of way to WFP to allow access to the leased lands;

iv) granting HFN Forestry LP a 200,000 m³ timber licence for the harvest of timber from the areas shown on the maps in Appendix B to the attached report; and

v) granting any other ancillary interests necessary to give effect to the WFP Transaction.

Appendices attached to Motion:

Written report prepared by Rob Botterell, on behalf of Executive Council
The following documents:

<table>
<thead>
<tr>
<th>Introduced by</th>
<th>Speaker</th>
<th>Date:</th>
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<tbody>
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<td></td>
<td>February 19, 2017</td>
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DATE OF PEOPLE'S ASSEMBLY
Addendum to Resolution #PA2017-03

The three parcels at issue in the above-referenced resolution are:

- Lot 1, Section 12, Township 2, Barclay District, Plan 11164 (PID: 005-155-916)
- The Fractional East ½ of Section 12, Township 2, Barclay District, Except that Part in Plan 11164 (PID: 007-729-596)
- The East Part of the Fractional South West ¼ of Section 12, Township 2, Barclay District (PID: 007-729-723)
HUU-AY-AHT FIRST NATIONS

Report of Executive Council on Proposed Western Forest Products Transaction

For Consideration at the Special Session of the Huu-ay-aht First Nations People’s Assembly on February 19, 2017

Prepared by: Rob Botterell, Legal Counsel on behalf of Executive Council

Date: January 30, 2017
Background

In Spring 2016, Executive Council, with the support of Ḥaŵiiḥ Council, directed that Huu-ay-aht First Nations enter into discussions and negotiations with Western Forest Products Inc. (WFP) to build a long-term working relationship encompassing the Hahoulthee of the Huu-ay-aht Haŵiiḥ and potentially across the area of Crown land applicable to WFP’s Tree Farm Licence 44 (TFL 44).

The result of these discussions and negotiations was that, in December 2016, lead negotiators Rob Botterell (Huu-ay-aht) and Shannon Janzen (WFP) reached a negotiators’ agreement on a package of agreements to build this long-term relationship:

1. Memorandum of Understanding (MOU) regarding a long-term relationship between HFN and WFP. This MOU sets out topics that the parties will explore further, including, among other things, the timber purchase agreement and Sarita dryland sort sale as outlined below, a timber purchase agreement for 2018 to 2021, working with the Provincial government and other interested parties to upgrade the Alberni-Anacala/Bamfield road, and a joint or coordinated communications strategy for infrastructure and investment decisions within the Alberni Valley. The MOU is not legally binding on HFN and WFP, but it commits the parties to explore in good faith ways to build a long-term relationship;

2. Standing Timber Purchase Agreement for WFP to purchase 200,000 m³ of timber from HFN’s Treaty Settlement Lands;

3. Term Sheet for the purchase 176 acres of land at Sarita Bay (the “Sarita Bay Lands”) by HFN from WFP for $3,000,000. This transaction includes WFP’s lease back of the dryland sort area on the lands to WFP until HFN needs the area for other purposes; and

4. Employment and Training Side Letter with the goal of securing up to $1,000,000 in funding to support a forestry industry employment and training program for HFN citizens and family.

A high-level description of the terms and conditions of these agreements is attached to this report.

Executive Council and the Ḥaŵiiḥ Council have formally approved these four agreements, subject to the necessary approvals by the People’s Assembly and other requirements under Huu-ay-aht Law. Citizens at the People’s Assembly are being asked to approve the following three items in respect of this transaction:

1. HFN’s acquisition of the Sarita Bay Lands (shown on the map at Appendix B) from WFP for $3,000,000.

2. The lease back to WFP of the dryland sort located on the Sarita Bay Lands, for up to 99 years and granting of an associated statutory right-of-way.
3. Granting a 200,000 m³ timber licence to HFN Forestry LP, for the purposes of funding Huu-ay-aht programs and services, job creation and revenue generation, and paying for the proposed Sarita Bay Lands purchase, if other sources of funding are not available.

Discussion

Huu-ay-aht First Nations has a longstanding interest in the 176-acre Sarita Bay Lands parcel located near the Sarita River in the Heart of the People. The Sarita Bay Lands could be used by Huu-ay-aht in a variety of ways which, while WFP continues to operate the dryland sort under the lease described in Appendix A, will need to be compatible to WFP’s use of the sort. Some potential uses of the Sarita Bay Lands include housing, cultural work, and economic development purposes such as tourism, an LNG export facility, or a deep sea port (after the lease back to WFP terminates). In fact, without these strategic lands, many economic development options – including an LNG facility or deep sea port – are impossible.

Like Huu-ay-aht First Nations, WFP has an interest in continuing to build a long-term win/win working relationship that provides an ongoing source of fibre for its operations. Huu-ay-aht currently looks to forestry operations as a major source of revenue and employment for citizens.

Huu-ay-aht and WFP share many other interests in common and will both benefit from working together across TFL 44.

As with any negotiation, Huu-ay-aht and WFP have negotiated an interconnected package of measures to meet their interests – it is not possible to accept one part of the package and not another part of the package. This is why the motions are being dealt with together.

Each aspect of the attached proposed motion is discussed separately below.

1. Acquisition of Sarita Bay Lands

Under the Land Act s. 5, People’s Assembly approval is required for the acquisition of land where the fair market value of the land is greater than $1,000,000.

The purchase price for the Sarita Bay Lands is $3,000,000, which is approximately midway between the lowest and highest of three appraisals of the Sarita Bay Lands parcel.

If the purchase is approved, Huu-ay-aht will be purchasing the Sarita Bay Lands in fee simple and will own them outright, however, WFP will retain certain rights in respect of the lands as outlined in Appendix A. In particular, WFP will reserve the right to harvest the timber on the lands, and there will be a restrictive covenant registered against the lands that will prevent Huu-ay-aht from operating a log sort there. More details regarding the purchase are contained in the Appendix A.
2. **Lease Back of Dryland Sort to WFP**

Under the *Land Act* s. 27, People’s Assembly approval is required for a disposition of an interest (including granting a lease or statutory right-of-way) in Huu-ay-aht lands if the interest is in a parcel greater than 10 hectares, the term of the interest is greater than 49 years, or the value of the interest exceeds $1,000,000.

The Sarita Bay Lands are the home of a dryland sort area that is a vital part of WFP forestry operations for TFL 44. WFP wishes to keep operating the sort after the sale of the lands and have the certainty of a 99-year lease to secure operation of the sort in the long-term. If HFN wishes, it can give notice to WFP that HFN wants to take over the site and pay WFP agreed-upon relocation costs to keep WFP whole so that WFP can relocate the sort to a new location. These relocation costs will be very significant, so it would only make sense to relocate if HFN has another green-lighted economic development opportunity such as an LNG project that would cover such costs.

More details regarding the lease back arrangement are contained in Appendix A.

3. **HFN Forestry Treaty Lands NRFL Approval**

HFN Forestry LP is making an application under s. 10 of the *Land Act* for a non-renewable forest licence allowing for the harvest of 200,000 cubic metres of timber from treaty lands.

Under the *Land Act* s. 27, People’s Assembly approval is required for a disposition of an interest (including granting a forestry tenure) in Huu-ay-aht lands if the interest is in a parcel greater than 10 hectares, the term of the interest is greater than 49 years, or the appraised fair market value of the interest exceeds $1,000,000.

This application triggers the requirement for People’s Assembly approval, both because the value of the interest will exceed $1,000,000 and the parcels from which it will be harvested exceed 10 hectares.

The timber would be harvested from the areas shown on the maps in Appendix B and will meet all current forestry management practices, including protection of traditional use sites.

Before the interest can be granted under the *Land Act*, HFN Forestry LP must make an application to the Director of Lands and Natural Resources and the process set out in the *Land Act* must be followed. The process includes giving public notice to Huu-ay-aht citizens of the interest applied for, the completion of any necessary studies, and approval by Executive Council. Executive Council cannot approve the granting of the tenure unless People’s Assembly approval has first been obtained. Executive Council may then impose further terms and conditions on the tenure, if it chooses to grant it.
To note, once HFN Forestry LP has been granted the forest licence it is anticipated that HFN Forestry LP will sell the timber under that licence to WFP. The proceeds from the timber sale may be used to (1) assist HFN with payment due to WFP for the purchase price for the Sarita Bay Lands, and (2) pay for employment and training opportunities for HFN citizens and family in the forest industry.

**Options & Implications**

The People’s Assembly may approve or not approve the proposed motion.

If the People’s Assembly does not approve the motion this would have significant financial implications for HFN Forestry LP employment and revenues, and Huu-ay-aht First Nations programs, services, and financial sustainability. HFN will not be able to acquire the Sarita Bay Land.

Importantly, if the motion is not approved, any LNG project in the area cannot proceed.

**Recommendation**

The Huu-ay-aht Executive Council and the Hāwiłh Council are in support of the proposed motion.
APPENDIX A
High-Level Description Of Certain Agreements

Timber Purchase Agreement for 200,000 m³ of timber from HFN’s treaty settlement lands

Key Terms

• **Parties** – This standing timber purchase agreement (“STPA”) is between HFN Forestry Limited Partnership (“HFNFLP”) and WFP.

• **Purpose of STPA and Term** – HFN agrees to provide four “cutting permit ready” packages of 50,000 m³ of timber from Treaty Settlement Lands to WFP (for a total of 200,000 m³) over the next two years (i.e. ending December 31, 2018).

• **Timber Licence Also Required** – HFNFLP will obtain the rights to the 200,000 m³ of timber under a separate “Timber Licence” that HFNFLP will be granted directly from HFN in accordance with HFN’s *Land Act*.

• **HFN not paid via the STPA** – HFN itself will receive payment for the timber from HFNFLP through the *Land Act* Timber Licence, not, unless otherwise agreed, through the STPA or directly from WFP.

• **Silviculture Responsibility** – HFNFLP, not WFP, will be responsible for replanting the harvested blocks (i.e. the silviculture liability). HFNFLP will bank funds received from WFP for replanting purposes.

• **HFNFLP as Planner** – HFNFLP will carry out the design and layout of all roads and cutblock boundaries.

• **WFP as Logger and Log Seller** – WFP will harvest and sell the timber. WFP will only charge reasonable costs for harvesting and selling the timber, as will be incorporated in the proformas discussed below.

• **Standard Terms** – The STPA is on “standard” industry terms for similar-type timber purchase agreements used in coastal B.C., except that the purchase price/proforma terms are somewhat unique/customized for HFN and WFP.

• **Proforma**
  
  o **One proforma for each package** – For *each* of the four packages of 50,000 m³ of timber, HFN and WFP will, in advance of logging starting, agree on what is called a “proforma” for the applicable timber.

  o **Content of Proforma** – The proforma is essentially a projection of the *estimated* reasonable costs and *estimated* log sale prices for the timber to be harvested under that package. As part of the “costs” for a package, each proforma will also incorporate particulars of the *estimated* purchase price that HFNFLP will receive for the timber in question as well as WFP’s guaranteed percentage of gross sales price service component fee that it will also receive.
c **Actuals vs. Estimates, Net Return & Profit** – Once the timber from each package has been harvested and sold by WFP, WFP and HFNFLP will compare the *estimated* values set out in the proforma against the *actual* values achieved to calculate the actual adjusted net return from that timber (i.e. profit) and purchase price that HFNFLP will receive.

* **Purchase Price**
  c **Guaranteed Amount** – HFNFLP will receive a minimum amount for timber harvested by WFP under the STPA. However, this is only the *minimum* amount that HFNFLP will receive for the timber and the STPA contains an additional profit sharing mechanism based on proforma performance.
  c **Profit Sharing Amount** – If WFP does better than the forecasted estimates in the proforma for a particular package, WFP and HFNFLP will split that positive difference 50/50.

* **Dispute over Proforma and/or Purchase Price** – If HFNFLP and WFP, for whatever reason, cannot agree on the proforma or purchase price for the timber, the STPA contains a dispute resolution procedure.

* **Package** – The STPA contains a procedure for HFNFLP and WFP to determine packages of timber. If, after following such procedure, HFNFLP and WFP can not agree on a package, HFNFLP can sell a package to a third party provided the price and particulars of the package meet or exceed the price and particulars HFNFLP was willing to agree with WFP. If WFP decides not to take a package of timber, then HFNFLP does not have to, at a later date, offer a “make-up” volume to WFP.

**Sarita Bay Lands Purchase Term Sheet**

Term Sheet only – At this time, a term sheet has been prepared that sets out the key terms and conditions of the purchase and sale of the Sarita dryland sort and associated Crown water permits from WFP to HFN. The goal is to draft a definitive purchase agreement (the “DPA”) to formalize the agreements of the parties by the end of January.

**Key Terms**

* **Parties** – HFN (or a delegate of HFN) will purchase the lands and Crown Permits that make up the Sarita dryland sort from WFP.

* **Summary** – The sale of the Sarita dryland sort is planned to complete on March 31, 2017. On the date of closing, the following will occur:
  o the lands (not including merchantable timber) will be transferred from WFP to HFN;
  o the Crown permits will be assigned from WFP to HFN;
o HFN will lease back to WFP the right to use the lands and Crown permits for the continued operation of the dryland sort for 99 years (the “Lease”); and

o HFN and WFP will enter into a relocation agreement that will give HFN the right to require WFP to move the dryland sort to a new location and that will describe how the relocation will occur and be paid for (the “Relocation Agreement”).

* Conditions to Closing – The sale of the Sarita dryland sort is subject to certain conditions being met, including HFN People’s Assembly and Executive Council approval of the purchase and HFN completing a due diligence review to its satisfaction.

* Deposits and Purchase Price
  
  o Signing Deposit – A signing deposit of $10,000 is due upon signing of the DPA.
  
  o Conditions Deposit – A deposit of $140,000 is due upon all of the conditions being met or waived. This deposit will come out of funds to be paid to HFNFLP under the STPA.
  
  o Purchase Price – The Purchase Price for the Sarita dryland sort is $3,000,000, subject to adjustments. If another source of funds is not available, the Purchase Price will be paid by WFP retaining 50% of the funds due to HFNFLP under the STPA. If the STPA is terminated and there is an amount of the Purchase Price remaining to be paid, HFN will pay-down the remainder by December 31, 2018.

* Lease and Statutory Right-of-Way – The Lease will be for 99 years, triple-net, with no base rent, and will be registerable at the B.C. Land Titles Office. If WFP shuts down operation of the dryland sort for 5 years or more, HFN has the ability to terminate the Lease. The Lease will allow HFN to add the applicable lands to treaty settlement lands but in the event the lands are added to TSL, WFP will automatically still have a lease on the lands. A statutory right of way will be entered into between HFN and WFP that will allow WFP to access the dryland sort through lands not required for the Lease.

* Standing Timber – The purchase and sale of the Sarita dryland sort does not include merchantable timber on the lands and such timber will be reserved for the benefit of WFP at the time of the sale.

* Environmental Conditions – Prior to closing, HFN and WFP will determine, with the assistance of external consultants, what, if any, environmental conditions exist on the lands and may adjust the Purchase Price on account of any such environmental conditions, with HFN assuming and releasing WFP from liabilities relating to such environmental conditions.
• **Relocation Agreement and Costs** – HFN and WFP will enter into a Relocation Agreement respecting the option of HFN to terminate the Lease and require WFP to relocate the Sarita dryland sort to a different location. A detailed Relocation Plan for the relocation will be created and agreed by the parties and HFN will compensate WFP for the agreed upon reasonable costs for the relocation. The Relocation Plan will be developed on the principle that WFP will be kept whole and be in no better or worse position than it is as of the date of the DPA. WFP is required to use reasonable efforts to minimize the costs of the relocation. The relocation cannot be triggered until HFN has paid WFP the entire Purchase Price for the lands and HFN is required to deliver an irrevocable letter of credit to WFP in the amount of the Relocation Costs at the time it triggers the relocation. If HFN triggers the relocation, it agrees that it will not use the site itself for a dryland sort.

**Employment and Training Side Letter**

**Key Terms**

• **Parties** – HFN and WFP.

• **Purpose** – The Employment and Training Side Letter outlines the key concepts of a forest industry employment and training program that HFN and WFP will together to administer. The program will be formalized under a definitive agreement.

• **Outline of the Program** – HFN, WFP and various contractors used to harvest the timber from HFN’s timber licences will work together to identify training and employment opportunities to offer to interested HFN citizens and family members.

• **Paying for the Program** – The goal is for the program to be worth $1,000,000, with up to $250,000 coming from HFN (to be funded through proceeds received from timber sales to WFP), up to $250,000 coming from WFP contingent on accepted packages and proformas under the Timber Purchase Agreement, $500,000 coming from funding proposals developed jointly to government agencies/grant money and/or contractors that WFP and HFN work with.
APPENDIX B
Maps Of Sarita Bay Lands & Areas Identified For 200,000 m³ Timber Sale

Image: Sarita Bay Lands
Image: Areas identified for timber sale