



British Columbia
Community
Forest
Association

local people, local forests, local decisions

Introductions



- Susan Mulkey
- Michael Litchfield
- Participants in the room

Member Support



A primary objective of the BCCFA is to provide mechanisms for networking, information sharing, problem solving, and education

- ▣ Guidebooks
- ▣ Extension
- ▣ Fee for service

When a Corporation is Established



- Constatting documents, Articles of Incorporation = Originating or establishing documentation
- Outlines the governance of the corporation including the type of corporate structure, the number of authorized shares, the effective date, composition and term of the board, etc...

The Devil is in the Details



- We often find that there is a lack of clarity in the roles and responsibilities between the shareholders and the board of the corporation
- A lack that often undermines the effectiveness of the corporation's operation

Shareholder Corporation Contract



- A tool to define, protect and enforce a relationship between the shareholder and the corporation
- Assists in ensuring that powers, rights, and obligations are clearly understood
- Ensures predictability and promotes cooperation and accountability

Arms Length from Politics



- CFC must have strength, independence and capacity to do the business of forest management
- Political goals and objectives are different than those of a business
- Forestry businesses have long-term planning horizons
- For a business to thrive and generate profits, it must be strategic and separated from politics

Project Goals



- Clarify roles and responsibility
- To provide general direction, to inform, to streamline, and ideally reduce the time and expense required to develop a contract that best suits the particular needs of a given community forest corporation
- History of the document development to date

Introduction to the Document



- Legally binding contract
 - Offer, Acceptance, Consideration, Meeting of the minds

- Rights and responsibilities are enforceable in a court of law

- Provides clarity regarding the rights and responsibilities of the parties and a mechanism to deal with disputes if they arise

Document Elements



- The contract will address numerous elements including:
 - **Precedence of the contract**
 - All other contracts that the CFC or shareholder enter into must not conflict with any provision of the contract
 - **Roles and Responsibilities of the Parties**
 - Shareholder and CFC will form a committee with representation from both to recruit Directors for the Board
 - Shareholder will not participate in the governance or management of the CFC
 - The Board will govern the CFC in the best interests of the Community it serves and will set policy direction

Document Elements



□ **Directors**

- Term of Appointment
- Executive
- Directors will act in accordance with the contract

□ **Management of the CFC**

- Board will be responsible for the hiring of management employees of the CFC

Document Elements



▣ **Governance over the Affairs of the CFC**

- Rules about the conduct of meetings
- Rules about Quorum for meetings
- Specific matters requiring Board approval in writing such as issue of equity securities, amalgamations, change of auditors, etc...
- CFC will provide indemnity for Directors
- CFC will report to the Shareholder on numerous matters including annual reporting, annual audit, minutes of the board, etc...

Document Elements



□ **Asset Protection**

- Insurance
- Limitations on encumbrances

□ **Issue of Additional Equity Securities**

- CFC will not issue equity securities without the consent of the Shareholder

□ **Restriction on Share Transfer**

- Transfers of shares restricted

Document Elements



▣ **Community Engagement**

- The CFC will ensure that its governance is conducted in an honest and transparent manner

▣ **Amendment and Termination**

- Contract can only be amended in writing by consent of both parties
- The contract can be terminated by consent or bankruptcy

▣ **Conflict Resolution**

- Commitment to resolve conflicts through negotiation and mediation

Balancing the Relationship



- The document will be a flexible template that can be modified in certain ways to meet the needs of each user
- One area that parties may want flexibility is in regards to the balancing of powers between the shareholder and the Directors
- There are legal considerations that are being carefully considered to ensure that the document complies with the legal requirements in this regard and is flexible enough to address a range of possible relationships

Where to from here



- Next Steps

Any questions?