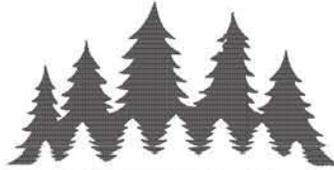


200-20/2105F  
BCFRT  
Tom J



**BC Forestry Revitalization Trust**

196759  
OFFICE OF THE  
DEPUTY MINISTER  
APR 17 2013  
MINISTRY OF  
NATURAL RESOURCE OPERATIONS

April 15, 2013

Doug Konkin  
Deputy Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9352 Stn Prov Govt  
Victoria, BC V8W 9M1

Dear Doug Konkin:

**Re: The BC Forestry Revitalization Trust – 2013 - First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2013 - First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2013

#### General

In June 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that were negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcfrt.com](http://www.bcfrt.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective June 30, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by then. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust was essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. Beneficiaries were still limited to forest workers and replaceable contractors, but it also allowed for mitigation to be made available to forest

workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

As of the end of 2011 all the workers and contractors had received the initial mitigation for which they were eligible based on the contractor and worker mitigation guidelines. However, there were outstanding issues with respect to income taxes assessed to contractors that had received mitigation payments from the BCFRT and the BCFRT II. For purposes of the report I will refer to both the original BCFRT and the BCFRT II as the BCFRT.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should have been received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, worked on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes actually paid or payable on the amounts previously disbursed. In order to facilitate that payment, the three previous BCFRT accounts were rolled into one new Contractor Mitigation Account early in 2012.

During the last quarter of 2011 letters were sent out to all contractors that received Contractor Mitigation funds from the BCFRT. They were invited to apply for extra mitigation in the event that they had paid or been assessed and not yet paid taxes on the amount(s) received. 202 contractors (approximately 76%) responded. Of those, 8 declined to proceed because they had no taxable income in the year(s) they received BCFRT Contractor mitigation amounts. The other 24% are deemed to have accepted the payments as received and will not be considered for a refund of any taxes paid on the contractor mitigation amounts received. In most cases it is likely they were not taxable in the year of receipt of those funds, and would therefore not have received a refund in any case.

To date the Canada Revenue Agency (CRA) has processed and made determinations of the incremental income tax impact of the receipt of Contractor Mitigation Funds for 190 of the 194 contractors that responded and wanted to proceed with a determination of their eligibility for a refund. The CRA is in the process of determining how much tax was assessed on the amounts received for the 4 remaining contractors that applied. In addition, 6 of the contractors that received determination letters have disputed the amount of incremental tax the CRA has determined they paid, or were assessed but have not yet paid, as a result of mitigation amounts received from the BCFRT. The CRA is reviewing those files.

The most recent information I have from the CRA is that the balance of the income tax refund determinations will be forthcoming in the second quarter of 2013.

Another part of the negotiated arrangement called for Federal and Provincial Orders in Council to deem income tax refund amounts received from the BCFRT to be tax free, and to deem that there will be a remission on interest and penalties on previously unpaid taxes related to the original contractor mitigation amounts. The required provincial Order in Council was filed on November 7, 2012. The matching required Federal Order in Council was filed on January 16, 2013. As a result, the BCFRT was able to start making disbursements in the first quarter of 2013

### **Account Balances as at March 31, 2013**

<b>Account Balances</b>	
2011 Contractor Mitigation Account	\$6,204,138
Administration Account	0
Contractor Mitigation Account	0
Forest Worker Mitigation Account	0
<b>Total market value of BCFRT accounts</b>	<b>\$6,204,138</b>
<b>Distributions to Beneficiaries to date</b>	
Contractor Mitigation	\$70,748,591
Contractor Income Tax Refunds	\$1,438,127
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$118,033,711</b>
<b>Total available funds plus distributions</b>	<b>\$124,237,849</b>

### **Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. Most of the administration expenses of the BCFRT were covered by the interest earned on the Administration Account balance, so the initial principal was reduced by approximately \$560,000. The Administration Account balance of approximately \$4,440,000 was transferred to the new 2011 Contractor Income Tax Relief Account in January 2012.

### **Contractor Mitigation Account**

The BCFRT provided contractor mitigation related to 317 affected contracts to 267 different contractors for a total cost to the BCFRT of \$70,748,591. All replaceable contractors that were affected by the implementation of the FRA received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines. The balance of approximately \$744,000 in the Contractor Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

## **Forest Worker Mitigation Account**

The BCFRT provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA received their BCFRT supported severance. The balance of approximately \$2,525,000 in the Forest Worker Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

### **Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that were impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation were the same as used in the earlier BCFRT mitigation payments. Payments have been made through the CST, with the BCFRT providing half the required funds.

As of March 31, 2013, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of March 31, 2013, all 35 affected workers and 10 of 11 affected contractors have received all their mitigation amounts.

### **Adequacy of Funds**

The final cost of making contractors whole for income taxes assessed and paid or assessed and still not paid on the contractor mitigation amounts they received is still not known. The best estimate at this time is approximately \$9.0 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust. The best estimate at this time is that the province will be asked to provide an additional \$1.5 Million to the BCFRT to allow it to meet this obligation.

### **Looking Ahead**

The second quarter of 2013 will likely include the following activity:

1. The Trustee will continue to work with the CRA on the final 10 outstanding contractors to determine whether a tax refund or payment of taxes on their behalf by the BCFRT is forthcoming.
2. Where agreement is achieved, the trustee will enter into funding agreements with the relevant contractors and either pay them directly or, at their direction, pay the amount owing directly to the CRA or some combination of the above.

Eric van Soeren, Trustee



**BC Forestry Revitalization Trust**

OFFICE OF THE  
DEPUTY MINISTER  
JAN 17 2013  
MINISTRY OF  
NATURAL RESOURCE OPERATIONS

195181

January 15, 2013

Doug Konkin  
Deputy Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9352 Stn Prov Govt  
Victoria, BC V8W 9M1

Dear Doug Konkin:

**Re: The BC Forestry Revitalization Trust – 2012 Fourth Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2012 Fourth Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2012

#### General

In June 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that were negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcfrt.com](http://www.bcfrt.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective June 30, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by then. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust was essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. Beneficiaries were still limited to forest workers and replaceable contractors, but it also allowed for mitigation to be made available to forest

workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

As of the end of 2011 all the workers and contractors had received the initial mitigation for which they were eligible based on the contractor and worker mitigation guidelines. However, there were outstanding issues with respect to income taxes assessed to contractors that had received mitigation payments from the BCFRT.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should have been received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, worked on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT have agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes actually paid or payable on the amounts previously disbursed. In order to facilitate that payment, the three previous BCFRT accounts were rolled into one new Contractor Mitigation Account early in 2012.

During the last quarter of 2011 letters were sent out to all contractors that received Contractor Mitigation funds from the BCFRT or the BCFRT II. Those letters invited the contractors to apply for extra mitigation in the event that they had paid taxes on the previous amount(s) received. To date 202 contractors (approximately 76%) have responded. Of those, 8 declined to proceed because they had no taxable income in the year(s) they received BCFRT Contractor mitigation amounts. The other 24% are deemed to have accepted the payments as received and will not be considered for a refund of any taxes paid on the contractor mitigation amounts received. In most cases it is likely they were not taxable in the year of receipt of those funds, and would therefore not have received a refund in any case.

To date the Canada Revenue Agency (CRA) has processed and made determinations of the incremental income tax impact of the receipt of Contractor Mitigation Funds for 174 of the 194 contractors that responded and wanted to proceed with a determination of their eligibility for a refund. The CRA is in the process of determining how much tax was assessed on the amounts received for the balance of the contractors that applied.

The most recent information I have from the CRA is that the balance of the income tax refund determinations will be forthcoming in the first quarter of 2013.

Another part of the negotiated arrangement called for Federal and Provincial Orders in Council to deem income tax refund amounts received from the BCFRT to be tax free, and to deem that there will be a remission on interest and penalties on previously unpaid taxes related to the original contractor mitigation amounts. The required provincial Order in Council was filed on November 7, 2012. The matching required Federal Order in Council is expected to be filed on January 16, 2013. If that happens, the BCFRT will be able to start making disbursements in the first quarter of 2013

**Account Balances as at December 31, 2012**

<b>Account Balances</b>	
2011 Contractor Mitigation Account	\$7,699,399
Administration Account	0
Contractor Mitigation Account	0
Forest Worker Mitigation Account	<u>0</u>
<b>Total market value of BCFRT accounts</b>	<b>\$7,699,399</b>
<b>Distributions to Beneficiaries to date</b>	
Contractor Mitigation	\$70,748,591
Contractor Income Tax Refunds	\$0
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$116,595,584</b>
<b>Total available funds plus distributions</b>	<b>\$124,294,983</b>

**Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT were covered by the interest earned on the Administration Account balance, so the initial principal was reduced by approximately \$560,000. The Administration Account balance of approximately \$4,440,000 was transferred to the new 2011 Contractor Income Tax Relief Account in January 2012.

**Contractor Mitigation Account**

The BCFRT has provided contractor mitigation related to 317 affected contracts to 267 different contractors for a total cost to the BCFRT of \$70,748,591. All replaceable contractors that were affected by the implementation of the FRA have now received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines. The balance of approximately \$744,000 in the Contractor Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

## **Forest Worker Mitigation Account**

The BCFRT has provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA have now received their BCFRT supported severance. The balance of approximately \$2,525,000 in the Forest Worker Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

### **Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that were impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation were to be the same as used in the earlier BCFRT mitigation payments. Payments have been made through the CST, with the BCFRT providing half the required funds.

As of December 31, 2012, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of December 31, 2012, all 35 affected workers and 10 of 11 affected contractors have received all their mitigation amounts.

### **Adequacy of Funds**

The final cost of making contractors whole for income taxes assessed on the contractor mitigation amounts they received is still not known. The best estimate at this time is approximately \$9.1 to \$9.6 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust.

### **Looking Ahead**

The first quarter of 2013 will likely include the following activity:

1. The Trustee will continue to work with the CRA to determine whether or not the final 20 contractors that have not yet been processed have income taxes paid or payable related to the contractor mitigation amounts, and if so, how much.
2. Where agreement is achieved on the income taxes to be reimbursed, the trustee will enter into funding agreements with the relevant contractors and either pay them directly or, at their direction, pay the amount owing directly to the CRA or some combination of the above.

Eric van Soeren, Trustee

DM-CSS

**Referral Slip**

Mon, Jul 23, 2012 3:34 PM

**Action: Info & File** **Due:** **Log ID: 190282**

Eric van Soeren  
Trustee  
The Coast Sustainability Trust II  
730 Walker's Hook Rd  
Salt Spring Island BC V8K 1N5

**Type:** Correspondence **Written:** 2012/07/15  
**Office:** DM-CSS **Received:** 2012/07/23  
**Entered By:** clind **Interim:**  
**Sign By:** N/A **Signed:**  
**Batch:** **Closed:**  
**File No.:**

Confidential  Frequent Writer  Elected Official

**Phone:** 250-537-1533 **Fax:** 250-537-1534 **Email:** eric@vansoeren.net

**Addressed to:** Minister Thomson **Drafter:** n/a

**Issue:** Forestry Revitalization Trust **MLA:** Coell, Murray (BC Liberal)

**Resp. Office:** DM-Deputy **Electoral Dist:** Saanich North and the Islands

**Other/X-Ref:**

**Copied To:**

**Subject**  
The Coast Sustainability Trust II - 2012 Second Quater Report

**Log Notes** 2012/07/23T15:33 clind (DM-CSS) - Info & File  
Sent to DMO  
Log Closed

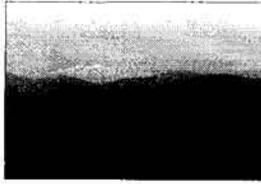
**Referrals**

**From:** DM-CSS **Sent:** 2012/07/23 **Rcvd:** **Status:** Sent  
**To:** MO-Minister **Due:** **Active:** **State:**  
**Action:** Info & File **Cmpltd:**

**From:** MO-Minister **Sent:** 2012/07/23 **Rcvd:** **Status:** Sent  
**To:** DM-CSS **Due:** **Active:** **State:**  
**Action:** Info & File **Cmpltd:**

**From:** DM-CSS **Sent:** 2012/07/23 **Rcvd:** **Status:** Sent  
**To:** DM-Deputy **Due:** **Active:** **State:**  
**Action:** Info & File **Cmpltd:**

200-20/BCFRT  
(2105F)



**The Coast Sustainability Trust II**

Eric van Soeren, Trustee

730 Walker's Hook Road  
Salt Spring Island, B.C. V8K 1N5

Phone: 250-537-1533  
Cell: s.22  
Fax: 250-537-1534  
Email: eric@vansoeren.net

www.coastsustainabilitytrust.com

CORRESPONDENCE SERVICES

**RECEIVED**

CLIFF: 190282

JUL 20 2012

Minister Response     DM     ADM  
 Reply Direct     Info & File     Phone Call

July 15, 2012

Honourable Steve Thomson  
Minister of Forests, Lands and Natural Resource Operations  
Ministry of Forests, Lands and Natural Resource Operations  
P.O. Box 9049 Stn Prov Govt  
Victoria, BC, V8W 9E2

Honourable Steve Thomson:

**Re: The Coast Sustainability Trust II (CST II) – 2012 Second Quarter Report**

Enclosed for your information is a copy of the CST II - 2012 Second Quarter Report.

Thank you for your continued support and involvement in the CST II. Please feel free to contact me if you would like to discuss anything in the report, or the CST II in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

*Dmo log + close*

MINISTER OF FORESTS, LANDS  
& NATURAL RESOURCE OPERATIONS

**RECEIVED**

JUL 19 2012

Minister     DM     Reply Direct  
 ADM     Info File

# **The Coast Sustainability Trust II**

## Report of the Trustee as of June 30, 2012

### General

The Province of British Columbia created the Coast Sustainability Trust (CST) in 2002 to mitigate the negative effects on workers, contractors and communities, including First Nations of:

1. provincial government decisions related to the Land and Resource Management Plan process; and
2. the implementation of Ecosystem Based Management (EBM)

in the Central Coast, North Coast, Queen Charlotte Islands/ Haida Gwaii, Comox Strathcona Regional District and the Regional District of Mount Waddington. In June 2007 the CST was rolled over into the CST II.

### CST II Account Balances and Distributions

As of June 30, 2012 the CST II balances and distributions were as follows:

<b>Account Balances</b>		
Community Matching Fund Account		\$4,251,463
EBM Adaptive Management Account		\$689,731
EBM Matching Fund Account		\$1,465,021
Landscape Reserve Planning Account		\$17,730
<b>Total available funds</b>		<u><b>\$6,423,945.</b></u>
 <b>Distributions to beneficiaries to date</b>		
Forest Worker Severance	LRMP process	\$2,933,857
	EBM	\$2,155,976
Contractor Mitigation	LRMP process	\$10,749,764
	EBM	\$2,878,258
Community Matching Funds		\$16,334,036
EBM Adaptive Management Sub-trust		\$1,241
EBM Land Use Planning Sub-trust		\$209,068
ESAMDAP Sub-trust		\$132,486
EBM Training		\$45,595
EBMWG Sub-trust		\$1,633,855
Landscape Reserve Planning Sub-trust		\$735,000
<b>Total Distributions to beneficiaries</b>		<u><b>\$37,809,136</b></u>
 <b>Total available funds plus distributions</b>		 <u><b>\$44,233,081</b></u>

In addition to the original \$35,000,000 given to the CST, five other sub-trusts of the CST and CST II were funded by the province. Further, the BC Forestry Revitalization Trust (BCFRT) agreed to provide matching funds to allow for the mitigation of workers and contractors in Haida Gwaii that were

impacted by the implementation of EBM. Unused funds in the EBM Land Use Planning and ESAMDAP sub-trusts were rolled into the EBMWG sub-trust, and unused funds in the EBMWG sub-trust were rolled into the EBM Adaptive Management sub-trust. These five sub-trusts combined have received a total of \$3,373,320 from the Province of BC. During 2011 the BCFRT advanced \$2,767,714 to the CST to help fund the EBM Matching Fund Account. Income to date from investments of the CST has exceeded total administration expenses by \$3.1 million. There was no need to use any of the capital of the CST to fund its administration. This allows over \$4.2 million more than originally planned to go to beneficiaries.

### Community Matching Fund Account

When the CST Community Matching Fund started operations, the Advisory Board agreed that decisions related to specific initiatives in the communities should be made at the local level as opposed to by the broader Advisory Board. Five Regional Steering Committees (RSCs) were formed. They are the Central Coast, Comox Strathcona, Mount Waddington, the North Coast, and Queen Charlotte Islands/Haida Gwaii. Significant progress has been made to date with all five RSCs.

### Leverage of CST Community Matching Funds

Each of the five RSCs had been allocated \$4,100,000 to use towards developing Regional Economic Development Strategies and to support individual initiatives that fit those strategies. As of June 30, 2012, funding has been and remains approved for a total of 242 projects. An additional 31 projects were approved but were subsequently abandoned by the applicant for a variety of reasons and did not receive CST funding. The main reason for applicants abandoning their projects was an inability to source matching funds or other forms of financing.

The total commitment from the CST is \$18,218,205, for projects worth a total of \$171,463,757. On average a total of \$9.41 goes into approved projects for each \$1.00 of CST funds committed.

### Status of Community Matching Fund funding requests

As at June 30, 2012

Regional Steering Committee	Total Project Size	Amount Requested of CST	Amount Rejected by CST or abandoned by applicant	Amount still under consideration by CST	Number of Approved Projects	Amount approved by CST	Amount disbursed by CST
Central Coast	\$21,549,771	\$6,081,397	\$3,029,632	\$62,500	58	\$2,989,265	\$2,989,265
Comox Strathcona	\$58,731,292	\$14,149,419	\$9,899,585	\$0	47	\$4,099,833	\$3,763,083
Mount Waddington	\$113,249,880	\$10,502,162	\$6,133,732	\$718,431	51	\$3,650,000	\$3,332,354
North Coast	\$68,296,148	\$9,562,498	\$5,433,392	\$750,000	35	\$3,379,107	\$2,968,583
QCI Haida Gwaii	\$52,224,666	\$7,518,026	\$3,192,086	\$225,940	51	\$4,100,000	\$3,280,751
<b>Total:</b>	<b>\$314,051,757</b>	<b>\$47,813,501</b>	<b>\$27,688,426</b>	<b>\$1,756,871</b>	<b>242</b>	<b>\$18,218,205</b>	<b>\$16,334,036</b>

The preceding table shows the total value of the requests for assistance, and the progress in approving funding for each of the RSCs. As of June 30, 2012, Funding Agreements were being negotiated with proponents of the most recently approved projects.

### Types of Projects Approved for Community Matching Fund Assistance

In order to stimulate economic activity, each RSC considers and approves projects that fit into the strategic priorities of their area or, if no formal strategic priorities have been developed, projects that clearly fall into the range of initiatives that likely will be included. The types of projects vary to some extent by the chosen strategic direction of each RSC. Following is a table that shows the type of projects approved for CST funding support:

### Types of projects approved for CST Funding

Regional Steering Committee	Total Project Size	Amount approved by CST	Nature of Approved Project					
			Agriculture & NTFPs	Aquaculture & processing	Forestry	Infra-structure	Planning	Tourism
Central Coast	\$14,260,826	\$2,989,265	\$30,834	\$597,090	\$130,854	\$951,276	\$525,366	\$753,845
Comox Strathcona	\$32,972,754	\$4,099,833	\$12,500	\$1,137,000	\$0	\$824,000	\$190,500	\$1,935,833
Mount Waddington	\$43,969,443	\$3,650,000	\$91,400	\$292,111	\$15,000	\$1,457,976	\$39,500	\$1,754,012
North Coast	\$34,331,409	\$3,379,107	\$0	\$630,120	\$50,000	\$746,838	\$24,750	\$1,927,399
QCI Haida Gwaii	\$45,929,325	\$4,100,000	\$200,549	\$274,060	\$162,398	\$1,806,016	\$165,232	\$1,491,745
<b>Total:</b>	<b>\$171,463,757</b>	<b>\$18,218,205</b>	<b>\$335,283</b>	<b>\$2,930,381</b>	<b>\$358,252</b>	<b>\$5,786,106</b>	<b>\$945,348</b>	<b>\$7,862,835</b>
<b>Percent of Approved Amounts</b>			1.8%	16.1%	2.0%	31.8%	5.2%	43.2%

On the North Coast and in the Mount Waddington, Comox and Strathcona Regional Districts the highest concentration of project approvals relate to the enhancement of tourism opportunities, with an emphasis on eco and cultural tourism. Examples are the construction or renovation of First Nations Big Houses and carving sheds, construction of First Nations owned tourist accommodation in Haida Gwaii, Kitamaat and Klemtu, support for tourism associations on the Central Coast, Northern Vancouver Island and Haida Gwaii, production of an Art Route brochure in Haida Gwaii, assistance to the Haida in the construction of a cultural center and a totem pole carving project, assistance to the Kwakiutl in a resort upgrade, assistance to the Bella Coola Valley Museum to help make it an even better attraction, funding for self directed walking tours in Campbell River and the Comox Valley, a mountain Sports Centre and an outdoor wilderness centre at Mount Washington, bear watching operations in Phillips Arm for the Kwiakah First Nation and in the Orford River Estuary for the Homalco First Nation, and the promotion of movie film sites in northern Vancouver Island. In aggregate, 43.2% of CST funding has gone to assist tourism related projects.

Infrastructure improvements are another primary focus, and the biggest one in the Central Coast and Haida Gwaii. Some are aimed at enhancing tourism, such as adding an interpretive garden, salt water aquarium and movable webcams to the Visitor Information Centre in Queen Charlotte, creating or improving destination hiking or mountain biking trails, establishing a waterfront trail in Prince Rupert, construction of RV and campground facilities, construction of an all season all weather boat ramp in Campbell River, improving the dock at Holberg and upgrading the seaplane ramp in Seal Cove, Prince Rupert and improving cruise ship terminals, docks and harbours. Other projects enhance industrial or commercial opportunities, such as an industrial park in Port Alice, building a new town square in the Village of Queen Charlotte, or assistance in creating an Economic Development Zone on Quinsam Indian Reserve 12 in Campbell River. The Central Coast RSC voted to contribute \$35,000 to a Central Coast Business Enterprise and Visitor Centre, \$302,500 towards a project that provides Broadband Internet to the communities on the Central Coast, and \$400,000 to help the Oweekeno acquire road building and maintenance equipment and barge facilities that would have been lost to them on the withdrawal of Western Forest Products from their area. Funding was also approved to assist in the installation of Broadband Internet in seven Northern Vancouver Island communities. In aggregate, 31.8% of CST funding has gone to assist infrastructure related projects.

A third focus is shellfish aquaculture and processing. The Comox Strathcona and Mount Waddington RSCs jointly elected to help fund a Shellfish Industry Investment Attraction Initiative promoted by the Vancouver Island Economic Developers Association (VIEDA). This was expanded to assist in attracting investment for shellfish processing. Support was given to the BC Shellfish Growers Association to help it with a business and market development initiative. The Homalco First Nation received a grant to assist it in developing a scallop farming venture. The Central Coast, North Coast and Queen Charlotte Islands - Haida Gwaii RSCs agreed to support a combined North Coast - Skeena First Nations Stewardship Society and Turning Points Initiative Society application for assistance in developing a coast wide shellfish aquaculture initiative. The Central Coast RSC has also provided support to the Heiltsuk Nation Shellfish Co-operative, and the North Coast RSC has provided funding to assist in performing Biotoxin studies. On Haida Gwaii, the Skidegate and the Old Massett Haida have received funding to help in training shellfish farm workers at two pre-commercial pilot projects. The Comox Strathcona RSC has also agreed to help the Komox First Nation in its plans to build a new shellfish processing facility. In aggregate, 16.1% of CST funding has gone to assist aquaculture and processing related projects.

The CST also supports the development of non timber forest products. In Northern Vancouver Island this has taken the form of the Wild Island Food Co-operative, while the Queen Charlotte Islands/Haida Gwaii RSC approved funding to a Co-op that initially pursued vacuum drying of chanterelle mushrooms.

To date, CST funding has been fairly evenly split, with 51.7% of funding going to First Nations sponsored initiatives, and 48.3% going to civic community sponsored initiatives. In fact, a significant number of initiatives related to shellfish aquaculture, tourism, planning and broadband internet installations were joint initiatives between First Nations and civic communities.

### **Employment Impact of CST Funding**

Following is a table which displays the employment impact of CST funding. The numbers are based on a combination of information submitted in the original applications, quarterly reporting as the project proceeded, and results of a survey taken of recipients of CST funding after the projects were completed. Numbers shown are actual employment or contract positions and have not been reduced to

full time equivalents. Spin-off jobs were not included as, especially in the case of tourism, the provision of high speed internet and long range planning, they are very difficult to estimate.

Regional Steering Committee	Full time Jobs while Project Active	Part time Jobs while Project Active	Full time Jobs when Project Completed	Part time Jobs when Project Completed
Central Coast	26	133	244	263
Comox Strathcona	84	246	202	207
Mount Waddington	82	245	179	200
North Coast	116	120	85	37
QCI Haida Gwaii	204	229	103	112
<b>Total:</b>	<b>512</b>	<b>973</b>	<b>813</b>	<b>819</b>

### Ecosystem Based Management Matching Fund Account

The purpose of the EBM Matching fund is to help mitigate the negative impacts of the implementation of Ecosystem Based Management on forest workers, contractors and both civic and First Nations Communities in the CST operating area.

In a May 18, 2010 meeting the Advisory Board of the BC Forestry Revitalization Trust (BCFRT) agreed to consider the possibility of providing matching funds to the CST EBM Matching Fund to allow workers and replaceable contractors on Haida Gwaii to receive mitigation for the negative impacts of EBM on them. A letter was sent out to the three major licensees on Haida Gwaii asking them to submit proposals for worker and contractor mitigation.

In a February 23, 2011 meeting of the BCFRT Advisory Board it was agreed that the BCFRT would provide the requested matching funds. The expected cost of that mitigation was \$5.2 million, with half coming from the CST, and half from the BCFRT. That number was revised to \$5,535,428. To date 10 of 11 replaceable contractors and all 35 of the employees that were identified as having been negatively impacted by the implementation of EBM on Haida Gwaii have received mitigation, with total mitigation paid out to date of \$5,034,234. The BCFRT has advanced \$2,767,714 in matching funds to support the payments made to date and the estimate of the still outstanding payments.

In a June 9, 2011 CST II Advisory Board meeting it was agreed that up to \$200,000 per RSC could be used to match with industry, First Nations and/or civic communities to provide training for people that want to enter the harvesting side of the forest industry. To date three training initiatives worth \$175,267 have been approved, and funding of \$45,595 has been disbursed to date. The Trustee has also had discussions with several other contractors, First Nations and licensees that plan to develop training programs specific to the needs of their operations, and the employees they have or intend to hire.

### **EBM Adaptive Management sub-trust**

Effective March 31, 2009 a new sub-trust called the EBM Adaptive Management sub trust was created. It was seeded with \$500 from the EBMWG subtrust, and received a further \$575,000 from the Ministry of Agriculture and Lands during the second quarter of 2009. Its goal is to invest in the Central Coast, North Coast and the Haida Gwaii plan areas by:

1. funding the successful implementation and management of an Adaptive Management program that supports the goals of Ecosystem Based Management,
2. funding projects in an Annual Work Plan approved by the Joint Land and Resource Forum, and
3. investing in and supporting Adaptive Management, Ecosystem Based Management, and other specific uses as directed by the donor.

To date, only minor meeting related and administrative expenses have been incurred by this sub-trust. No disbursements were made during this quarter.

### **Landscape Reserve Planning sub-trust**

Also effective March 31, 2009, a second new sub-trust called the Landscape Reserve Planning (LRP) sub-trust was established. It received a total of \$750,000 from the Ministry of Agriculture and Lands in the second quarter of 2009. Its purpose is to support the First Nations represented by the Nanwakolus Council, the Coastal First Nations, and the Tsimshian Stewardship Committee in Landscape Reserve Planning. To date disbursements of \$735,000 have been made to those groups out of this fund.

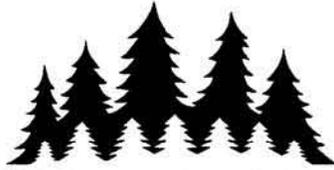
### **Looking Ahead**

During the third quarter of 2012, I expect the following activity in CST II:

- Funding requests will continue to be received and evaluated by the three RSCs that still have uncommitted funds.
- Funding Agreements for Community Matching Fund projects will continue to be signed and further disbursements will be made.
- The EBM Adaptive Management sub-trust will become operational.
- Further mitigation payments for replaceable contractors negatively impacted by the implementation of EBM on Haida Gwaii will be made from the EBM Matching Fund.
- Forest worker training programs will be developed by industry and First Nations and be funded by the CST.

Eric van Soeren

Trustee



BC Forestry Revitalization Trust

200-20/BCFRT  
(205F)  
INFO & FILE # 190299

OFFICE OF THE DEPUTY MINISTER JUL 24 2012 MINISTRY OF NATURAL RESOURCE OPERATIONS
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X-REF: 190299

July 15, 2012

Doug Konkin  
Deputy Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin:

**Re: The BC Forestry Revitalization Trust – 2012 Second Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2012 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2012

#### General

In June 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that were negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcfrt.com](http://www.bcfrt.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective June 30, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by then. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust was essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. Beneficiaries were still limited to forest workers and replaceable contractors, but it also allowed for mitigation to be made available to forest

workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

As of the end of 2011 all the workers and contractors had received the initial mitigation for which they were eligible based on the contractor and worker mitigation guidelines. However, there were outstanding issues with respect to income taxes assessed to contractors that had received mitigation payments from the BCFRT.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should have been received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, worked on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT have agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes actually paid or payable on the amounts previously disbursed. In order to facilitate that payment, the three previous BCFRT accounts were rolled into one new Contractor Mitigation Account early in 2012.

During the last quarter of 2011 letters were sent out to all contractors that received Contractor Mitigation funds from the BCFRT or the BCFRT II. Those letters invited the contractors to apply for extra mitigation in the event that they had paid taxes on the previous amount(s) received. To date 202 contractors (approximately 76%) have responded. Of those, 8 declined to proceed because they had no taxable income in the year(s) they received BCFRT Contractor mitigation amounts. The other 24% are deemed to have accepted the payments as received and will not be considered for a refund of any taxes paid on the contractor mitigation amounts received. In most cases it is likely they were not taxable in the year of receipt of those funds, and would therefore not have received a refund in any case.

To date the Canada Revenue Agency (CRA) has processed and made determinations of the incremental income tax impact of the receipt of Contractor Mitigation Funds for 108 of the 194 contractors that responded and wanted to proceed with a determination of their eligibility for a refund. The CRA is in the process of determining how much tax was assessed on the amounts received for the balance of the contractors that applied.

The most recent information I have from the CRA is that more determinations will be forthcoming early in the third quarter of 2012, and that the required supporting Order in Council documentation will be available during the summer of 2012.

**Account Balances as at June 30, 2012**

<b>Account Balances</b>	
2011 Contractor Mitigation Account	\$7,681,485
Administration Account	0
Contractor Mitigation Account	0
Forest Worker Mitigation Account	<u>0</u>
<b>Total market value of BCFRT accounts</b>	<b>\$7,681,485</b>
<b>Distributions to Beneficiaries to date</b>	
Contractor Mitigation	\$70,748,591
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$116,595,584</b>
<b>Total available funds plus distributions</b>	<b>\$124,277,069</b>

**Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT were covered by the interest earned on the Administration Account balance, so the initial principal was reduced by approximately \$560,000. The Administration Account balance of approximately \$4,440,000 was transferred to the new 2011 Contractor Income Tax Relief Account in January 2012.

**Contractor Mitigation Account**

The BCFRT has provided contractor mitigation related to 317 affected contracts to 267 different contractors for a total cost to the BCFRT of \$70,748,591. All replaceable contractors that were affected by the implementation of the FRA have now received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines. The balance of approximately \$744,000 in the Contractor Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

**Forest Worker Mitigation Account**

The BCFRT has provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA have now received their BCFRT supported severance. The balance of approximately \$2,525,000 in the Forest Worker Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

## **Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that are negatively impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation would be the same as were used in the earlier BCFRT mitigation payments. The estimated cost of mitigation is \$5,535,428. Payments will be made through the CST, with the BCFRT providing half the required funds.

As of June 30, 2012, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of June 30, 2012, all 35 affected workers and all but 1 of the 11 affected contractors have received their mitigation amounts.

### **Adequacy of Funds**

The cost of making contractors whole for income taxes assessed on the contractor mitigation amounts they received is still not known. The best estimate at this time is approximately \$11 to \$14 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust.

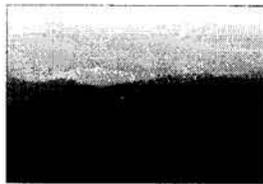
### **Looking Ahead**

The third quarter of 2012 will likely include the following activity:

1. The trustee will continue to work with the federal and provincial governments on the details of the repayment of taxes paid, and the mechanism for the extinguishments of penalties and interest on unpaid amounts.
2. The Trustee will continue to work with the CRA to determine whether or not the contractors have income taxes paid or payable related to the contractor mitigation amounts, and if so, how much.
3. Where agreement is achieved on the income taxes to be reimbursed, the trustee will enter into funding agreements with the relevant contractors and either pay them directly or, at their direction, pay the amount owing directly to the CRA or some combination of the above.

Eric van Soeren  
Trustee

200-20/BFFR  
(21057)



**The Coast Sustainability Trust II**  
Eric van Soeren, Trustee  
730 Walker's Hook Road  
Salt Spring Island, B.C. V8K 1N5

Phone: 250-537-1533  
Cell: s.22  
Fax: 250-537-1534  
Email: eric@vansoeren.net  
www.coastsustainabilitytrust.com

April 15, 2011

Honourable Steve Thomson  
Minister of Forests, Lands and Natural Resource Operations  
Ministry of Forests, Lands and Natural Resource Operations  
P.O. Box 9049 Stn Prov Govt  
Victoria, BC, V8W 9E2

Honourable Steve Thomson:

**Re: The Coast Sustainability Trust II (CST II) – 2011 First Quarter Report**

Enclosed for your information is a copy of the CST II - 2011 First Quarter Report.

Thank you for your continued support and involvement in the CST II. Please feel free to contact me if you would like to discuss anything in the report, or the CST II in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

MINISTRY OF FORESTS, LANDS & NATURAL RESOURCE OPERATIONS  
CORRESPONDENCE SERVICES  
**RECEIVED**

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APR 28 2011

DATE: \_\_\_\_\_

AMIN DRAFT REPLY     DM     ADM TO RESPOND  
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**MINISTER OF FORESTS, LANDS & NATURAL RESOURCE OPERATIONS**  
**RECEIVED**  
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Minister     DM     Reply Direct  
 ADM     Info File

# The Coast Sustainability Trust II

## Report of the Trustee as of March 31, 2011

### General

The Province of British Columbia created the Coast Sustainability Trust (CST) in 2002 to mitigate the negative effects on workers, contractors and communities, including First Nations of:

1. provincial government decisions related to the Land and Resource Management Plan process; and
2. the implementation of Ecosystem Based Management (EBM) in the:
  1. Central Coast;
  2. North Coast;
  3. Queen Charlotte Islands/ Haida Gwaii;
  4. Comox Strathcona Regional District; and
  5. Regional District of Mount Waddington.

The CST was initially funded with \$25,000,000 directed to mitigate forest workers and contractors (the Mitigation Fund), and \$10,000,000 directed to communities and mitigation related to the implementation of EBM (the Matching Fund). Any undisbursed funds in the Mitigation fund were required by the CST Trust Deed to be rolled into the Matching Fund as of March 31, 2005. At that time \$12,258,170 was rolled into the Matching Fund.

The Trust Deed that created the CST stipulated that it was to terminate on March 31, 2007, and that the Trustee then had two years to determine what to do with any remaining funds in the CST. The original intention was to disburse all matching funds to eligible beneficiaries by that time, but on March 31, 2007, there was still over \$20 million in the Matching Fund account. Roughly \$6 million had been committed to specific projects, but over \$14 million had not.

In anticipation of the termination of the CST, all the Advisory Board and Regional Steering Committee members, as well as all First Nations, organized communities and Regional Districts that were potential beneficiaries of the CST, were asked to comment on the disposition of remaining CST funds. The unanimous response was that the CST should be rolled over into a new trust that mirrored the existing trust, with only a few suggestions for minor changes.

The Advisory Board decided to roll the CST into the Coast Sustainability Trust II (CST II). CST II assumed all the assets and liabilities of the CST, retained the governance structure of the CST, and kept the Matching Fund Guidelines. The main differences are that the Regional Steering Committees now have the ability to increase the CST II commitment to any one project to as much as \$250,000 instead of the previous \$100,000 maximum and, in order to help small communities, the CST II may contribute up to 75% of the first \$50,000 in a project's cost, instead of the previous 50/50 minimum requirement, for all community matching fund projects.

Given that the CST II assumed all the assets and liabilities of the CST, and given many partially funded Community Matching Fund projects were transferred to the CST II, activity reporting for the CST II Community Matching Fund includes CST activity:

## CST II Account Balances and Distributions

As of March 31, 2011 the CST II balances and distributions were as follows:

### Account Balances

Community Matching Fund Account	\$4,929,654
EBM Adaptive Management Account	\$674,901
EBM Matching Fund Account	\$5,646,407
Landscape Reserve Planning Account	\$17,967
<b>Total available funds</b>	<b><u>\$11,268,929</u></b>

### Distributions to beneficiaries to date

Forest Worker Severance	\$2,933,857
Contractor Mitigation	\$10,749,764
Community Matching Funds	\$13,933,812
EBM Adaptive Management Sub-trust	\$1,241
EBM Land Use Planning Sub-trust	\$209,068
ESAMDAP Sub-trust	\$132,486
EBMWG Sub-trust	\$1,633,855
Landscape Reserve Planning Sub-trust	\$735,000
<b>Total Distributions to beneficiaries</b>	<b><u>\$30,329,083</u></b>

Total available funds plus distributions **\$41,598,012**

In addition to the original \$35,000,000 given to the CST, five other sub-trusts of the CST and CST II were funded by the province. Unused funds in the EBM Land Use Planning and ESAMDAP sub-trusts were rolled into the EBMWG sub-trust, and unused funds in the EBMWG sub-trust were rolled into the EBM Adaptive Management sub-trust. The Landscape Reserve Planning sub-trust was also created effective March 31, 2009. These five sub-trusts combined have received a total of \$3,373,320. Income to date from investments of the CST and now the CST II has exceeded total administration expenses by over \$3.2 million. There was no need to use any of the capital of the CST to fund its administration. This allows over \$4.3 million more than originally planned to go to beneficiaries.

### Community Matching Fund Account

When the CST Community Matching Fund started operations, the Advisory Board agreed that decisions related to specific initiatives in the communities should be made at the local level as opposed to by the broader Advisory Board. Five Regional Steering Committees (RSCs) were formed. They are the Central Coast, Comox Strathcona, Mount Waddington, the North Coast, and Queen Charlotte Islands/Haida Gwaii. Significant progress has been made to date with all five RSCs.

### Leverage of CST Community Matching Funds

Before this quarter, the five RSCs had been allocated \$3,700,000 to use towards developing Regional Economic Development Strategies and to support individual initiatives that fit those strategies. This quarter an additional \$400,000 was allocated to each RSC for that purpose. Most of those funds will be transferred over from the EBM Matching Funds during the second quarter. As of the end of March

2011, funding has been and remains approved for a total of 226 projects. An additional 25 projects were approved but were subsequently abandoned by the applicant for a variety of reasons and did not receive CST funding. The main reason for applicants abandoning their projects was an inability to source matching funds or other forms of financing.

The total commitment from the CST is \$17,006,063, for projects worth a total of \$126,343,087. Therefore, on average a total of \$7.43 goes into approved projects for each \$1.00 of CST funds committed.

Following is a table that shows the total value of the requests for assistance, and the progress in approving funding for each of the RSCs. As of March 31, 2011, Funding Agreements were being negotiated with proponents of the most recently approved projects.

**Status of Community Matching Fund funding requests  
As at March 31, 2011**

Regional Steering Committee	Total Project Size	Amount Requested of CST	Amount Rejected by CST or abandoned by applicant	Amount still under consideration by CST	Number of Approved Projects	Amount approved by CST	Amount disbursed by CST
Central Coast	\$21,349,771	\$5,956,397	\$2,597,633	\$540,000	57	\$2,818,764	\$2,346,765
Comox Strathcona	\$58,212,046	\$14,008,419	\$8,766,491	\$1,393,594	42	\$3,698,333	\$3,519,396
Mount Waddington	\$107,361,177	\$9,583,517	\$4,697,905	\$1,179,726	49	\$3,705,887	\$2,748,693
North Coast	\$45,934,660	\$8,257,201	\$4,344,730	\$658,639	32	\$3,253,833	\$2,493,448
QCI Haida Gwaii	\$47,328,481	\$6,314,436	\$2,315,190	\$470,000	46	\$3,529,246	\$2,825,510
<b>Total:</b>	<b>\$280,186,135</b>	<b>\$44,119,969</b>	<b>\$22,721,948</b>	<b>\$4,241,959</b>	<b>226</b>	<b>\$17,006,063</b>	<b>\$13,933,812</b>

**Types of Projects Approved for Community Matching Fund Assistance**

In order to stimulate economic activity, each RSC considers and approves projects that fit into the strategic priorities of their area or, if no formal strategic priorities have been developed, projects that clearly fall into the range of initiatives that likely will be included. The types of projects vary to some extent by the chosen strategic direction of each RSC. Following is a table that shows the type of projects approved for CST funding support:

## Types of projects approved for CST Funding

Regional Steering Committee	Total Project Size	Amount approved by CST	Nature of Approved Project					
			Agriculture & NTFPs	Aquaculture & processing	Forestry	Infra-structure	Planning	Tourism
Central Coast	\$12,160,826	\$2,818,764	\$53,116	\$352,090	\$99,604	\$920,026	\$528,366	\$865,562
Comox Strathcona	\$28,908,243	\$3,698,333	\$12,500	\$1,037,000	\$0	\$542,500	\$190,500	\$1,915,833
Mount Waddington	\$31,116,910	\$3,705,887	\$91,400	\$354,188	\$15,000	\$1,562,411	\$39,500	\$1,643,387
North Coast	\$15,270,427	\$3,253,833	\$0	\$630,120	\$50,000	\$741,261	\$24,750	\$1,807,702
QCI Haida Gwaii	\$38,886,681	\$3,529,246	\$207,559	\$366,030	\$227,398	\$1,451,016	\$165,232	\$1,112,011
<b>Total:</b>	<b>\$126,343,087</b>	<b>\$17,006,063</b>	<b>\$364,575</b>	<b>\$2,739,428</b>	<b>\$392,002</b>	<b>\$5,217,214</b>	<b>\$948,348</b>	<b>\$7,344,496</b>
<b>Percent of Approved Amounts</b>			2.1%	16.1%	2.3%	30.7%	5.6%	43.2%

On the North Coast and in the Mount Waddington, Comox and Strathcona Regional Districts the highest concentration of project approvals relate to the enhancement of tourism opportunities, with an emphasis on eco and cultural tourism. Examples are the construction or renovation of First Nations Big Houses and carving sheds, support for tourism associations on the Central Coast, Northern Vancouver Island and Haida Gwaii, production of an Art Route brochure in Haida Gwaii, assistance to the Haida in the construction of a cultural center and a totem pole carving project, assistance to the Kwakiutl in a resort upgrade, assistance to the Bella Coola Valley Museum to help make it an even better attraction, funding for self directed walking tours in Campbell River and the Comox Valley, a mountain Sports Centre and an outdoor wilderness centre at Mount Washington, bear watching operations in Phillips Arm for the Kwiakah First Nation and in the Orford River Estuary for the Homalco First Nation, and the promotion of movie film sites in northern Vancouver Island. In aggregate, 43.2% of CST funding has gone to assist tourism related projects.

Infrastructure improvements are another primary focus, and the biggest one in the Central Coast and Haida Gwaii. Some are aimed at enhancing tourism, such as adding an interpretive garden, salt water aquarium and movable webcams to the Visitor Information Centre in Queen Charlotte, creating or improving destination hiking or mountain biking trails, establishing a waterfront trail in Prince Rupert, construction of RV and campground facilities, construction of an all season all weather boat ramp in Campbell River, improving the dock at Holberg and upgrading the seaplane ramp in Seal Cove, Prince Rupert and improving cruise ship terminals, docks and harbours. Other projects enhance industrial or commercial opportunities, such as an industrial park in Port Alice, building a new town square in the Village of Queen Charlotte, or assistance in creating an Economic Development Zone on Quinsam Indian Reserve 12 in Campbell River. The Central Coast RSC voted to contribute \$35,000 to a Central Coast Business Enterprise and Visitor Centre, \$302,500 towards a project that provides Broadband Internet to the communities on the Central Coast, and \$400,000 to help the Oweekeno acquire road building and maintenance equipment and barge facilities that would have been lost to them on the withdrawal of Western Forest Products from their area. Funding was also approved to assist in the installation of Broadband Internet in seven Northern Vancouver Island communities. In aggregate, 30.6% of CST funding has gone to assist infrastructure related projects.

A third focus is shellfish aquaculture and processing. The Comox Strathcona and Mount Waddington RSCs jointly elected to help fund a Shellfish Industry Investment Attraction Initiative promoted by the Vancouver Island Economic Developers Association (VIDEA). This was expanded to assist in attracting investment for shellfish processing. Support was given to the BC Shellfish Growers Association to help it with a business and market development initiative. The Homalco First Nation received a grant to assist it in developing a scallop farming venture. The Central Coast, North Coast and Queen Charlotte Islands - Haida Gwaii RSCs agreed to support a combined North Coast – Skeena First Nations Stewardship Society and Turning Points Initiative Society application for assistance in developing a coast wide shellfish aquaculture initiative. The Central Coast RSC has also provided support to the Heiltsuk Nation Shellfish Co-operative, and the North Coast RSC has provided funding to assist in performing Biotoxin studies. On Haida Gwaii, the Skidegate and the Old Massett Haida have received funding to help in training shellfish farm workers at two pre-commercial pilot projects. In aggregate, 16.4% of CST funding has gone to assist aquaculture and processing related projects.

The CST also supports the development of non timber forest products. In Northern Vancouver Island this has taken the form of the Wild Island Food Co-operative, while the Queen Charlotte Islands/Haida Gwaii RSC approved funding to a Co-op that will initially pursued vacuum drying of chanterelle mushrooms, and is now branching into other edible products.

To date, CST funding has been fairly evenly split, with 52.2% of funding going to First Nations sponsored initiatives, and 47.8% going to civic community sponsored initiatives. In fact, a significant number of initiatives related to shellfish aquaculture, tourism, planning and broadband internet installations were joint initiatives between First Nations and civic communities.

### **Employment Impact of CST Funding**

Following is a table which displays the employment impact of CST funding. The numbers are based on a combination of information submitted in the original applications, quarterly reporting as the project proceeded, and results of a survey taken of recipients of CST funding after the projects were completed. Numbers shown are actual employment or contract positions and have not been reduced to full time equivalents. Spin off jobs were not included as, especially in the case of tourism, the provision of high speed internet and long range planning, they are very difficult to estimate.

<b>Regional Steering Committee</b>	<b>Full time Jobs while Project Active</b>	<b>Part time Jobs while Project Active</b>	<b>Full time Jobs when Project Completed</b>	<b>Part time Jobs when Project Completed</b>
<b>Central Coast</b>	26	127	184	213
<b>Comox Strathcona</b>	83	222	202	206
<b>Mount Waddington</b>	69	223	176	189
<b>North Coast</b>	93	107	75	31
<b>QCI Haida Gwaii</b>	183	219	84	94
<b>Total:</b>	<b>454</b>	<b>898</b>	<b>721</b>	<b>733</b>

## **Ecosystem Based Management Matching Fund Account**

Upon the roll-over of funds from the CST to the CST II, the Advisory Board directed that \$5,000,000 within the CST Matching Fund Account remain segregated from the Community Matching Fund Account, so a separate account named the EBM Matching Fund was established. The purpose of the EBM Matching fund is to help mitigate the negative impacts of the implementation of Ecosystem Based Management on the forest workers, contractors and both civic and First Nations Communities in the CST operating area. This account has been dormant since the roll-over and the only activity has been growth through interest on the invested funds. As of March 31, 2011 the EBM Matching Fund Account had a value of \$5.646 million.

Because EBM was not projected to be fully implemented until March 31, 2009, none of those funds could be disbursed before then. In the December 2, 2008 CST Advisory Board meeting, a decision was made to not release those funds until at least June 2009, as it was felt by the Board that the implications of the implementation of EBM would be better understood later in 2009. Since that time the CST Trustee has been working with Ministry of Forests, Lands and Natural Resource Operations staff to try to determine the projected impact of the implementation of EBM on workers and contractors so that an allocation of available funds can be made between workers, contractors and communities. In a May 18, 2010 meeting the Advisory Board of the BC Forestry Revitalization Trust (BCFRT) agreed to consider the possibility of providing matching funds to the EBM Matching Fund to allow workers and contractors on Haida Gwaii to receive mitigation for the negative impacts of EBM on them. A letter was sent out to the three major licensees on Haida Gwaii asking them to submit proposals for worker and contractor mitigation.

In a meeting of the BCFRT Advisory Board on February 23, 2011 it was agreed that the BCFRT would provide matching funds to the CST to allow for mitigation to the workers and contractors on Haida Gwaii that have been negatively impacted by the implementation of EBM. The expected cost of that mitigation is \$5.2 million, with half coming from the CST, and half from the BCFRT. The CST Trustee is working with the contractors, licensees and workers on Haida Gwaii to firm up those numbers, and to try to make the mitigation payments in the second quarter of 2011.

Also during the February 23, 2011 Advisory Board meeting it was agreed that up to \$200,000 per RSC could be used to match with industry, First Nations and/or civic communities to provide entry level training for people that want to enter the harvesting side of the forest industry. Details of the type of projects that might be considered will be developed in the second quarter of 2011.

### **EBM Adaptive Management sub-trust**

Effective March 31, 2009 a new sub-trust called the EBM Adaptive Management sub trust was created. It was seeded with \$500 from the EBMWG subtrust, and received a further \$575,000 from the Ministry of Agriculture and Lands during the second quarter of 2009. Its goal is to invest in the Central Coast, North Coast and the Haida Gwaii plan areas by:

1. funding the successful implementation and management of an Adaptive Management program that supports the goals of Ecosystem Based Management,
2. funding projects in an Annual Work Plan approved by the Joint Land and Resource Forum, and
3. investing in and supporting Adaptive Management, Ecosystem Based Management, and other specific uses as directed by the donor.

To date, only minor meeting related and administrative expenses have been incurred by this sub-trust.

## **Landscape Reserve Planning sub-trust**

Also effective March 31, 2009, a second new sub-trust called the Landscape Reserve Planning (LRP) sub-trust was established. It received a total of \$750,000 from the Ministry of Agriculture and Lands in the second quarter of 2009. Its purpose is to support the First Nations represented by the Nanwakolus Council, the Coastal First Nations, and the Tsimshian Stewardship Committee in Landscape Reserve Planning. To date disbursements of \$735,000 have been made to those groups out of this fund.

### **Looking Ahead**

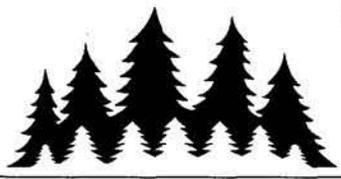
During the second quarter of 2011, I expect the following activity in CST II:

- Funding requests will continue to be received and evaluated by the five RSCs.
- Funding Agreements for Community Matching Fund projects will continue to be signed in the five RSC areas, and further disbursements will be made.
- The EBM Adaptive Management sub-trust will become operational.
- Mitigation payments for worker and contractors negatively impacted by the implementation of EBM on Haida Gwaii will be made from the EBM Matching Fund.
- Guidelines will be developed for the entry level forestry worker training matching fund.

Eric van Soeren

Trustee

200-20/BCFRT  
(2105F)



**BC Forestry Revitalization Trust**

April 15, 2011

Honourable Steve Thomson  
Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
P.O. Box 9049 Stn Prov Govt  
Victoria, BC  
V8W 9E2

MINISTER OF FORESTS, LANDS & NATURAL RESOURCE OPERATIONS		
<b>RECEIVED</b>		
APR 21 2011		
<input type="checkbox"/> Minister	<input type="checkbox"/> DM	<input type="checkbox"/> Reply Direct
<input type="checkbox"/> ADM	<input checked="" type="checkbox"/> Info File	

Dear Minister Thomson:

**Re: The BC Forestry Revitalization Trust – 2011 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2011 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

*Dmo*

MINISTRY OF FORESTS AND RANGE CORRESPONDENCE SERVICES	
<b>RECEIVED</b>	
CLIFF #:	_____
APR 28 2011	
DUE DATE: _____	
<input type="checkbox"/> MIN DRAFT REPLY	<input type="checkbox"/> DEP <input type="checkbox"/> ADM
<input type="checkbox"/> FNA	<input type="checkbox"/> INFO & FILE
<input type="checkbox"/> REPLY DIRECT	<input type="checkbox"/> MOBILE RESPONSE



## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2011

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust is essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

## Account Balances as at March 31, 2011

### Account Balances

Administration Account	\$4,468,352
Contractor Mitigation Account	\$1,478,885
Forest Worker Mitigation Account	<u>\$4,590,614</u>
<b>Total market value of BCFRT accounts</b>	<b>\$10,537,851</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$70,667,966
Forest Worker Mitigation	<u>\$43,079,279</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$113,747,245</b>

**Total available funds plus distributions** **\$124,285,096**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$530,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle used for contractor mitigation is that contractors who lost their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring received mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. This was usually based on a per cubic metre value, but contracts that were based on some other measure were treated accordingly. A detailed description of the calculation that was used is contained in the Contractor Mitigation Guidelines.

As of March 31, 2011, Forestry Revitalization Proposals (FRPs) have been presented and accepted by the affected contractors, or the default condition of proportionate reduction has been imposed, for all the reallocated volume in the Province. Also as of March 31, 2011, \$70,667,966 had been paid in contractor mitigation related to 317 affected contracts. No more contractor mitigation payments related to loss of volume because of the FRA are expected, but as much as \$150,000 in redundant equipment premium payments may still have to be made.

### Forest Worker Mitigation Account

The principle used for forest worker mitigation was that workers who were severed by a Licensee or Replaceable Contractor because of FRA restructuring received severance from their ex-employer, and that severance was funded by the BCFRT. The Advisory Board

felt it was fair that all employees who lost their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

The BCFRT has provided funding for the severance of 848 workers, for a total cost to the BCFRT of \$43,079,279. The average severance per employee was significantly higher than originally projected. It is \$50,801 as opposed to an estimate of \$39,828 because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. However, the number of severed employees, especially in the interior, was lower than projected. All workers known to have been affected by the Forestry Revitalization Act have now received their BCFRT supported severance.

### **Adequacy of Funds**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that are negatively impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation would be the same as were used in the earlier BCFRT mitigation payments. The estimated cost of mitigation was \$5.2 million, of which the BCFRT would pay half. Work is ongoing with the licensees, contractors, union and workers to determine the actual amounts to be paid. Payments will be made through the CST, with the BCFRT providing half the required funds.

In the above mentioned meeting it was also agreed that the BCFRT would work with the provincial and federal governments to cause any income taxes paid by replaceable contractors on mitigation payments for loss of contract volume or redundant equipment to be refunded to the contractors through the BCFRT. A verbal agreement on the above was reached between the federal and provincial governments, including an agreement that any taxes on those refund payments and any interest or penalties related to non payment of the original taxes was to be waived. Work on that initiative is ongoing, but finalizing the details has been delayed pending the upcoming federal election.

In addition to the above, an unknown but likely significant number of contractors and workers are expected to be affected by the upcoming implementation of EBM on the Central Coast, North Coast and Haida Gwaii. Mitigation of those workers and contractors is a permitted use of the BCFRT funds.

It now appears that between the offer to assist with the mitigation of the current impacts of EBM on Haida Gwaii, the attempt to provide tax relief to the contractors, and mitigation to workers and contractors to be affected by future implementation of EBM, there may be

insufficient funds remaining in the BCFRT. The Advisory Board now feels that the \$10 million that was held back in the original funding for the BCFRT will be required, and it will request its release.

### **Looking Ahead**

The second quarter of 2011 will likely include the following activity:

1. The BCFRT Trustee will continue to work with the Loggers for Fair Tax Treatment (LFFTT), and the provincial and the federal governments to try to firm up the verbal agreement to provide tax relief to the contractors who received BCFRT assistance.
2. The Trustee will work with the workers, contractors and the union on Haida Gwaii to finalize mitigation payments related to the loss of contracts and employment because of the implementation of EBM
3. The Trustee and Advisory Board will try to meet with the Minister of Forests, Lands and Natural Resource Operations to get a release of the \$10,000,000 that was previously withheld from the BCFRT.

Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**

2010-20 / BC FRT  
INFO & FILE # 187670  
OFFICE OF THE  
DEPUTY MINISTER  
APR 18 2012  
MINISTRY OF  
NATURAL RESOURCE OPERATIONS

April 15, 2012

Doug Konkin  
Deputy Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin:

**Re: The BC Forestry Revitalization Trust – 2012 First Quarter Report**

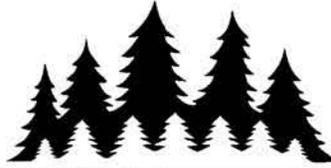
Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2012 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2012

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that were negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by then. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust was essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. Beneficiaries were still limited to forest workers and replaceable contractors, but it also allowed for mitigation to be made available to forest

workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

As of the end of 2011 all the workers and contractors had received the initial mitigation for which they were eligible based on the contractor and worker mitigation guidelines. However, there were outstanding issues with respect to income taxes assessed to contractors that had received mitigation payments from the BCFRT.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should have been received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, have been working on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT have agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes paid or payable on the amounts previously disbursed. In order to facilitate that payment, the three previous BCFRT accounts were rolled into one new Contractor Mitigation Account early in 2012.

During the last quarter of 2011 letters were sent out to all contractors that received Contractor Mitigation funds from the BCFRT or the BCFRT II. Those letters invited the contractors to apply for extra mitigation in the event that they had paid taxes on the previous amount(s) received. To date 201 contractors (approximately 75%) have responded within the required time frame. The other 25% are deemed to have accepted the payments as received and will not be considered for a refund of any taxes paid on the contractor mitigation amounts received. In most cases it is likely they were not taxable in the year of receipt of those funds, and would therefore not have received a refund in any case.

To date the Canada Revenue Agency has processed and made determinations of the incremental income tax impact of the receipt of Contractor Mitigation Funds for 63 of the 201 contractors that responded. It is in the process of determining how much tax was assessed on the amounts received for the balance of the contractors that applied for a tax refund.

The most recent information I have from the CRA is that more determinations will be forthcoming early in the second quarter of 2012, but the required supporting Order in Council documentation will not be available until the summer of 2012.

## Account Balances as at March 31, 2012

### Account Balances

2011 Contractor Mitigation Account	\$7,677,543
Administration Account	0
Contractor Mitigation Account	0
Forest Worker Mitigation Account	<u>0</u>
<b>Total market value of BCFRT accounts</b>	<b>\$7,677,543</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$70,748,591
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$116,595,584</b>

**Total available funds plus distributions** **\$124,273,127**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT were covered by the interest earned on the Administration Account balance, so the initial principal was reduced by approximately \$560,000. The Administration Account balance of approximately \$4,440,000 was transferred to the new 2011 Contractor Income Tax Relief Account in January 2012.

### Contractor Mitigation Account

The BCFRT has provided contractor mitigation related to 317 affected contracts to 267 different contractors for a total cost to the BCFRT of \$70,748,591. All replaceable contractors that were affected by the implementation of the FRA have now received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines. The balance of approximately \$744,000 in the Contractor Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

### Forest Worker Mitigation Account

The BCFRT has provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA have now received their BCFRT supported severance. The balance of approximately \$2,525,000 in the Forest Worker Mitigation Account was transferred to the new 2011 Contractor Mitigation Account in January 2012.

## **Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that are negatively impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation would be the same as were used in the earlier BCFRT mitigation payments. The estimated cost of mitigation is \$5,535,428. Payments will be made through the CST, with the BCFRT providing half the required funds.

As of March 31, 2012, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of March 31, 2012, all 35 affected workers and all but 1 of the 11 affected contractors have received their mitigation amounts.

### **Adequacy of Funds**

The cost of making contractors whole for income taxes assessed on the contractor mitigation amounts they received is still not known. The best estimate at this time is approximately \$13 to \$15 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust.

### **Looking Ahead**

The second quarter of 2012 will likely include the following activity:

1. The trustee will continue to work with the federal and provincial governments on the details of the repayment of taxes paid, and the mechanism for the extinguishments of penalties and interest on unpaid amounts.
2. The Trustee will continue to work with the CRA to determine whether or not the contractors have income taxes paid or payable related to the contractor mitigation amounts, and if so, how much.
3. Where agreement is achieved on the income taxes to be reimbursed, the trustee will enter into funding agreements with the relevant contractors and either pay them directly or, at their direction, pay the amount owing directly to the CRA or some combination of the above.

Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**

FOR INFORMATION #182578

OFFICE OF THE  
DEPUTY MINISTER  
**JAN 20 2012**  
MINISTRY OF  
NATURAL RESOURCE OPERATIONS

January 15, 2012

Doug Konkin  
Deputy Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

*DK*

Dear Doug Konkin:

**Re: The BC Forestry Revitalization Trust – 2011 Fourth Quarter Report**

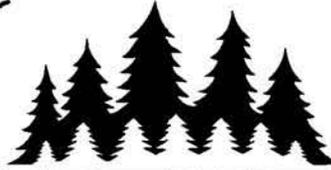
Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2011 Fourth Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

*Eric van Soeren*  
Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2011

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcfrt.com](http://www.bcfrt.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust was essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date.

Beneficiaries were still limited to forest workers and replaceable contractors, but it also allowed for mitigation to be made available to forest workers and replaceable contractors that

might be negatively affected by other Provincial Government land use decisions that limit logging.

### **Account Balances as at December 31, 2011**

<b>Account Balances</b>	
Administration Account	\$4,439,855
Contractor Mitigation Account	\$743,744
Forest Worker Mitigation Account	<u>\$2,524,953</u>
<b>Total market value of BCFRT accounts</b>	<b>\$7,708,552</b>
<b>Distributions to Beneficiaries to date</b>	
Contractor Mitigation	\$70,748,591
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$116,595,584</b>
<b>Total available funds plus distributions</b>	<b>\$124,304,136</b>

#### **Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$560,000. All of the Administration Account will be transferred to a new Contractor Income Tax Relief Account in January 2012.

#### **Contractor Mitigation Account**

As of December 31, 2011, \$70,748,591 had been paid in contractor mitigation related to 317 affected contracts. All replaceable contractors that were affected by the implementation of the FRA have now received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines.

#### **Forest Worker Mitigation Account**

The BCFRT has provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA have now received their BCFRT supported severance.

#### **Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.**

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers and replaceable contractors that are negatively impacted by the implementation of Ecosystem

Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation would be the same as were used in the earlier BCFRT mitigation payments. The estimated cost of mitigation is \$5,535,428. Payments will be made through the CST, with the BCFRT providing half the required funds.

As of December 31, 2011, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of December 31, 2011, all 35 affected workers and all but 1 of the 11 affected contractors have received their mitigation amounts.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should have been received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, have been working on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT have agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes paid or payable on the amounts previously disbursed.

During the last quarter of 2011 letters were sent out to all contractors that received Contractor Mitigation funds from the BCFRT or the BCFRT II. Those letters invited the contractors to apply for extra mitigation in the event that they had paid taxes on the previous amount(s) received. To date approximately 50% have responded, and the Canada Revenue Agency is in the process of determining how much tax they were assessed on the amounts received.

### **Adequacy of Funds**

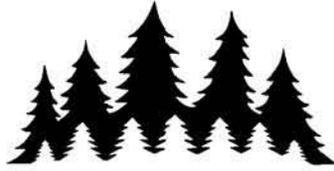
The cost of making contractors whole for income taxes assessed on the contractor mitigation amounts they received is still not known. The best estimate at this time is approximately \$15 to \$18 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust.

## Looking Ahead

The first quarter of 2012 will likely include the following activity:

1. As part of the agreement with the provincial government, all funds in the three currently existing accounts will be swept into a contractor income tax relief account.
2. The trustee will continue to work with the federal and provincial governments on the details of the repayment of taxes paid, and the mechanism for the extinguishments of penalties and interest on unpaid amounts.
3. The Trustee will work with the CRA to determine whether or not the contractors have income taxes paid or payable related to the contractor mitigation amounts, and if so, how much.
4. Where agreement is achieved on the income taxes to be reimbursed, the trustee will enter into funding agreements with the relevant contractors and either pay them directly, at their direction, pay the amount owing directly to the CRA or some combination of the above.

Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**



October 15, 2011

Honourable Steve Thomson  
Minister of Forests Lands and Natural Resource Operations  
Ministry of Forests Lands and Natural Resource Operations  
P.O. Box 9049 Stn Prov Govt  
Victoria, BC  
V8W 9E2

Dear Minister Thomson:

**Re: The BC Forestry Revitalization Trust – 2011 Third Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2011 Third Quarter Report.

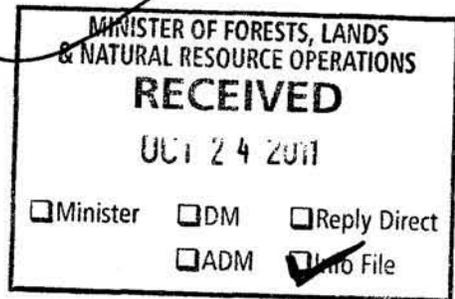
Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

*DMO*





## BC Forestry Revitalization Trust

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### Report of the Trustee as of September 30, 2011

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftrt.com](http://www.bcftrt.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries received mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust is essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. Beneficiaries are still limited to Forest workers and replaceable contractors, but it also allows

for mitigation to be made available to workers and replaceable contractors that might be negatively affected by other Provincial Government land use decisions that limit logging.

### Account Balances as at September 30, 2011

#### Account Balances

Administration Account	\$4,483,371
Contractor Mitigation Account	\$741,413
Forest Worker Mitigation Account	<u>\$2,516,918</u>
<b>Total market value of BCFRT accounts</b>	<b>\$7,741,702</b>

#### Distributions to Beneficiaries to date

Contractor Mitigation	\$70,748,591
Forest Worker Mitigation	\$43,079,279
Transferred to the Coast Sustainability Trust	<u>\$2,767,714</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$116,595,584</b>

**Total available funds plus distributions** **\$124,336,286**

#### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$520,000. A significant portion of the Administration Account will be able to be transferred to a new Contractor Income Tax Relief Account that is in the process of being established.

#### Contractor Mitigation Account

As of September 30, 2011, \$70,748,591 had been paid in contractor mitigation related to 317 affected contracts. All replaceable contractors that were affected by the implementation of the FRA have now received the full mitigation for which they were eligible under the Contractor Mitigation Guidelines.

#### Forest Worker Mitigation Account

The BCFRT has provided funding for the severance of 848 workers negatively affected by the FRA, for a total cost to the BCFRT of \$43,079,279. All employees known to have been affected by the FRA have now received their BCFRT supported severance.

#### Mitigation of the Negative Impacts of Ecosystem Based Management on Haida Gwaii.

During a February 2011 BCFRT Advisory Board meeting it was agreed that the BCFRT would cost share with the Coast Sustainability Trust (CST) to provide mitigation to workers

and replaceable contractors that are negatively impacted by the implementation of Ecosystem Based Management (EBM) on Haida Gwaii. The formulas used to determine the amount of mitigation would be the same as were used in the earlier BCFRT mitigation payments. The estimated cost of mitigation is \$5,535,428 million, of which the BCFRT will pay half. Payments will be made through the CST, with the BCFRT providing half the required funds.

As of September 30, 2011, \$2,767,714 has been transferred to the CST to provide matching funds for worker and contractor mitigation. Also as of September 30, 2011, all 35 affected workers and all but 2 of the 11 affected contractors have received their mitigation amounts.

### **Contractor Income Tax Liability**

There has been uncertainty about the liability for income taxes payable on mitigation amounts received by replaceable contractors from the BCFRT. The position of the four logging contractor associations in BC is that the amounts should be received tax free, either because they were a windfall payment, or because they were amounts received from a personal trust. Others took the position that the amounts received as a result of the loss of some or all of a replaceable contract should be treated as a capital gain. The Canada Revenue Agency (CRA) took the position that all such amounts were to be taxed as income.

The BCFRT, the Loggers for Fair Taxation, the Minister of Forests, Lands and Natural Resource Operations, and the Premier of BC, have been working on this problem for approximately four years. As a result, the Province of BC and the Advisory Board of the BCFRT have agreed to increase the contractor mitigation payments received by replaceable contractors by an amount equal to the income taxes paid or payable on the amounts previously disbursed.

### **Adequacy of Funds**

The cost of making contractors whole for income taxes assessed on the contractor mitigation amounts they received is not known. The best estimate at this time is approximately \$15 to \$18 million. The agreement with the province is that all existing funds in the BCFRT accounts will be first applied to compensate the contractors for taxes paid or payable. Once the BCFRT funds are depleted, the province will replenish the BCFRT as required to meet the additional obligations to the contractors and the administration costs of the Trust.

### **Looking Ahead**

The fourth quarter of 2011 will likely include the following activity:

1. As part of the agreement with the provincial government, all funds in the three currently existing accounts will be swept into a contractor income tax relief account.
2. The trustee will continue to work with the federal and provincial governments on the details of the repayment of taxes paid, and the mechanism for the extinguishments of penalties and interest on unpaid amounts.

3. The Trustee will contact all the contractors that received contractor mitigation amounts from the BCFRT to request the information required to determine whether or not they have taxes paid or payable related to the contractor mitigation amounts.
4. The Trustee will work with the CRA to determine whether or not the contractors have income taxes paid or payable related to the contractor mitigation amounts, and if so, how much.
5. Where agreement is achieved on the income taxes to be reimbursed, the trustee will enter into funding agreements with the relevant contractors and either pay them directly or, at their direction, pay the amount owing directly to the CRA.
6. The Trustee will work with the remaining contractors on Haida Gwaii to finalize mitigation payments related to the loss of contracts because of the implementation of EBM.

Eric van Soeren  
Trustee

As of June 30, 2009, the BCFRT had provided funding for the severance of 845 workers, for a total cost to the BCFRT of \$42,723,092. The average severance per employee to date is significantly higher than originally projected (\$50,735 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of severed employees, especially in the interior, was lower than projected. A surplus of at least \$20,000,000 was previously expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account. It now appears there could still be approximately \$4.5 million more in the Forest Worker Mitigation account than will be required. These funds will be made available at the discretion of the Advisory Board to provide mitigation for other forest workers and replaceable contractors that have been or will be negatively impacted by provincial government land use decisions.

### **Looking Ahead**

The third quarter of 2009 will likely include the following activity:

1. Contractors and workers affected by the Teal Jones Forestry Revitalization Plan (FRP) will finally be able to receive their mitigation.
2. Contractor Mitigation payments will continue to be made to other replaceable contractors who lost some or all of their contracts as a result of the FRA.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors, on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and replaceable contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee

DMO file

200-20/BCFRT



**BC Forestry Revitalization Trust**

October 15, 2009

Dana Hayden  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Dana Hayden:

**Re: The BC Forestry Revitalization Trust – 2009 Third Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2009 Third Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

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## BC Forestry Revitalization Trust

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### Report of the Trustee as of September 30, 2009

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries receive mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust is essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and replaceable contractors that might be negatively affected by future land use decisions.

**Account Balances as at September 30, 2009**

**Account Balances**

Administration Account	\$4,535,936
Contractor Mitigation Account	\$3,216,853
Forest Worker Mitigation Account	\$4,814,686
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$22,567,475</b>

**Distributions to Beneficiaries to date**

Contractor Mitigation	\$68,878,418
Forest Worker Mitigation	<u>\$42,723,092</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$111,601,510</b>

**Total available funds plus distributions** **\$134,168,985**

**Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$460,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

**Contractor Mitigation Account**

The principle used for contractor mitigation is that contractors who lost their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring received mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. This was usually based on a per cubic metre value, but contracts that were based on some other measure were treated accordingly. A detailed description of the calculation that was used is contained in the Contractor Mitigation Guidelines.

As of September 30, 2009, Forestry Revitalization Proposals (FRPs) have been presented and accepted by the affected contractors, or the default condition of proportionate reduction has been imposed, for all the reallocated volume in the Province. The long standing dispute between Teal Jones and its major contractor has now been resolved, so mitigation of the affected workers and contractors can proceed.

As of September 30, 2009, \$68,878,418 had been paid in contractor mitigation related to 303 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Approximately 23 more contractor mitigation payments should be made in 2009 or early 2010.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all the claims that were made. The view of the Advisory Board is that only two contractors have been able to substantiate their claims. One exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. The other was a conventional stump to dump contractor that worked in an area that provided unusually high profits. Both contractors were mitigated using a rate above the cap.

The BC Ombudsman's office reviewed the claim of five interior contractors that felt they should receive a larger pay out and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that, in their area, recent arms length sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. Slightly higher compensation payments were made than would have been made based strictly on the formula.

As of September, 2009, contractor compensation payments, plus revised estimates based on pending applications, appear to be approximately 12.1%, or \$7.75 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account. Based on current estimates, there are sufficient funds in the Contractor Mitigation Account to cover all outstanding expected contractor mitigation costs.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of September 30, 2009, the BCFRT had provided funding for the severance of 845 workers, for a total cost to the BCFRT of \$42,723,092. The average severance per employee to date is significantly higher than originally projected (\$50,735 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of severed employees, especially in the interior, was lower than projected. A surplus of at least \$20,000,000 was previously expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account. It now appears there could still be approximately \$4.5 million more in the Forest Worker Mitigation account than will be required. These funds will be made available at the discretion of the Advisory Board to provide mitigation for other forest workers and replaceable contractors that have been or will be negatively impacted by provincial government land use decisions.

### **Looking Ahead**

The fourth quarter of 2009 will likely include the following activity:

1. The remaining contractors and workers affected by the Teal Jones Forestry Revitalization Plan (FRP) will finally be able to receive their mitigation.
2. Contractor Mitigation payments will continue to be made to other replaceable contractors who lost some or all of their contracts as a result of the FRA.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors, on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and replaceable contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**

*JPP*  
JUL 15 2009

*DMO file*  
*200-20/BCFRT*

July 15, 2009

Dana Hayden  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

MINISTRY OF FORESTS, DMO	
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Dear Dana Hayden:

**Re: The BC Forestry Revitalization Trust – 2009 Second Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2009 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2009

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## Account Balances as at June 30, 2009

### Account Balances

Administration Account	\$4,512,700
Contractor Mitigation Account	\$3,888,586
Forest Worker Mitigation Account	\$4,807,575
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$23,208,861</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$68,189,640
Forest Worker Mitigation	<u>\$42,723,092</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$110,912,732</b>

**Total available funds plus distributions** **\$134,121,584**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$487,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle used for contractor mitigation is that contractors who lost their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring received mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. This was usually based on a per cubic metre value, but contracts that were based on some other measure were treated accordingly. A detailed description of the calculation that was used is contained in the Contractor Mitigation Guidelines.

As of June 30, 2009, Forestry Revitalization Proposals (FRPs) have been presented and accepted by the affected contractors, or the default condition of proportionate reduction has been imposed, for all the reallocated volume in the Province. The long standing dispute between Teal Jones and its major contractor has now been resolved, so mitigation of the affected workers and contractors can proceed.

As of June 30, 2009, \$68,189,640 had been paid in contractor mitigation related to 301 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Approximately 25 more contractor mitigation payments should be made in 2009.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all the claims that had been made. The view of the Advisory Board is that only two contractors have been able to substantiate their claims. One exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. The other was a conventional stump to dump contractor that worked in an area that provided unusually high profits. Both contractors were mitigated using a rate above the cap.

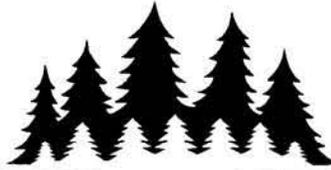
The BC Ombudsman's office reviewed the claim of five interior contractors that felt they should receive a larger pay out and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that, in their area, recent arms length sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. Slightly higher compensation payments were made than would have been made based strictly on the formula.

As of June, 2009, contractor compensation payments, plus revised estimates based on pending applications, appear to be approximately 12.6%, or \$8.0 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account. Based on current estimates, there are sufficient funds in the Contractor Mitigation Account to cover all outstanding expected contractor mitigation costs.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.



**BC Forestry Revitalization Trust**

*DMD file*  
*200-20/BCFRT*

April 15, 2009

John Dyble  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear John Dyble,

**Re: The BC Forestry Revitalization Trust – 2009 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2009 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.





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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2009

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries receive mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust is essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and replaceable contractors that might be negatively affected by future land use decisions.

## Account Balances as at March 31, 2009

### Account Balances

Administration Account	\$4,494,421
Contractor Mitigation Account	\$5,599,619
Forest Worker Mitigation Account	\$5,910,002
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$26,004,042</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$66,448,185
Forest Worker Mitigation	<u>\$41,612,435</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$108,060,620</b>

**Total available funds plus distributions** **\$134,064,662**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$505,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle used for contractor mitigation is that contractors who lost their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring received mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. This was usually based on a per cubic metre value, but contracts that were based on some other measure were treated accordingly. A detailed description of the calculation that was used is contained in the Contractor Mitigation Guidelines.

As of March 31, 2009, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting an FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP were subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. This necessitated an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation. The dispute between Teal Jones and its major contractor has now been resolved, so mitigation of the affect workers and contractors will proceed in the second quarter of 2009.

As of March 31, 2009, \$66,448,185 had been paid in contractor mitigation related to 295 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Approximately 30 more contractor mitigation payments should be made in 2009.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all the claims that had been made. The view of the Advisory Board is that only two contractors have been able to substantiate their claims. One exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. The other was a conventional stump to dump contractor that worked in an area that provided unusually high profits. Both contractors were or are in the process of being mitigated using a rate above the cap.

The BC Ombudsman's office reviewed the claim of five interior contractors that felt they should receive a larger pay out and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that, in their area, recent arms length sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. Slightly higher compensation payments were made than would have been made based strictly on the formula.

As of March 31, 2009, contractor compensation payments, plus revised estimates based on pending applications, appear to be approximately 11.2%, or \$7.1 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account. Based on current estimates, there are sufficient funds in the Contractor Mitigation Account to cover all outstanding expected contractor mitigation costs.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular

day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of March 31, 2009, the BCFRT had provided funding for the severance of 828 workers, for a total cost to the BCFRT of \$41,612,435. The average severance per employee to date is significantly higher than originally projected (\$50,257 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of employees to be severed, especially in the interior, will be lower than projected. A surplus of at least \$20,000,000 was originally expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account. It now appears there could still be approximately \$4.3 million more in the Forest Worker Mitigation account than will be required. These funds will be made available at the discretion of the Advisory Board to provide mitigation for other forest workers and replaceable contractors that have been or will be negatively impacted by provincial government land use decisions.

### **Looking Ahead**

The second quarter of 2009 will likely include the following activity:

1. Contractors and workers affected by the Teal Jones Forestry Revitalization Plan will finally be able to receive their mitigation.
2. Contractor Mitigation payments will continue to be made to other replaceable contractors who lost some or all of their contracts as a result of the FRA.
3. Severance payments will continue to be made to forest workers for some of the above replaceable contractors.
4. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors, on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
5. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and replaceable contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee

EDMCS

**Referral Slip**

Thu, Apr 23, 2009 12:38 PM

Action: **Info and file** Due: Log ID: **120195**

Eric van Soeren  
Trustee  
BC Forestry Revitalization Trust  
730 Walker's Hook Road  
Salt Spring Island BC V8K 1N5

Type: Correspondence  
Office: EDMCS  
Entered By: ttoye  
Sign By:  
Batch:  
File No.:

Written: 2009/04/15  
Received: 2009/04/16  
Interim:  
Signed:  
Closed: 2009/04/23

Confidential  Frequent Writer  Elected Official

Phone: 250.537.1533 Fax: 250.526.0533 Email: eric@vansoeren.net

Addressed to: Minister Bell Drafter:  
Issue: Forestry Revitalization Trust MLA: Coell, Murray Robert (BC Liberal)  
Resp. Office: EDM-DM Electoral Dist: Saanich North and the Islands

Other/X-Ref:

Copied To:

**Subject**  
Re: The BC Forestry Revitalization Trust

Log Notes 2009/04/23 ttoye (EDMCS) No action required. Info & file.

**Referrals**

From: EDMCS Sent: 2009/04/23 Rcvd: Status: Completed  
To: EMI-MO Due: Active: State:  
Action: Info and file Cmpltd: 2009/04/23

From: EMI-MO Sent: 2009/04/23 Rcvd: Status: Completed  
To: EDMCS Due: Active: State:  
Action: Info and file Cmpltd: 2009/04/23

From: EDMCS Sent: 2009/04/23 Rcvd: Status: Completed  
To: EDM-DM Due: Active: State:  
Action: Info and file Cmpltd: 2009/04/23



DMO file  
200-20/BCFRT

**BC Forestry Revitalization Trust**

April 15, 2009

Honourable Pat Bell  
Minister of Forests and Range  
Ministry of Forests and Range  
P.O. Box 9049 Stn Prov Govt  
Victoria, BC  
V8W 9E2

MINISTRY OF FORESTS AND RANGE CORRESPONDENCE SERVICES			
<b>RECEIVED</b>			
120195			
CLIFF # _____			
APR 22 2009			
DUE DATE: _____			
<input type="checkbox"/> MIN DRAFT REPLY	<input type="checkbox"/> DEP	<input type="checkbox"/> ADM	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> FNA	<input type="checkbox"/> INFO & FILE		<input type="checkbox"/> PHONE RESPONSE

Dear Minister Bell:

**Re: The BC Forestry Revitalization Trust – 2009 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2009 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

MINISTER OF FORESTS AND RANGE	
<b>RECEIVED</b>	
APR 16 2009	



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2009

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

#### Roll over of the BCFRT

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, estimates at that time suggested that even once all the existing beneficiaries receive mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II is posted on the BCFRT website. The new trust is essentially a rollover of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and replaceable contractors that might be negatively affected by future land use decisions.

## Account Balances as at March 31, 2009

### Account Balances

Administration Account	\$4,494,421
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Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$26,004,042</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$66,448,185
Forest Worker Mitigation	<u>\$41,612,435</u>
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**Total available funds plus distributions** **\$134,064,662**

### Administration Account

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### **Looking Ahead**

The second quarter of 2009 will likely include the following activity:

1. Contractors and workers affected by the Teal Jones Forestry Revitalization Plan will finally be able to receive their mitigation.
2. Contractor Mitigation payments will continue to be made to other replaceable contractors who lost some or all of their contracts as a result of the FRA.
3. Severance payments will continue to be made to forest workers for some of the above replaceable contractors.
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Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**

① John for review  
② File DMO file  
200-20/BCFRT

*I would appreciate  
a briefing on this*

*PS.*

*Briefing  
set for  
Jan 29/09  
to Rickard*

January 15, 2009

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2008 Fourth Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2008 Fourth Quarter Report.

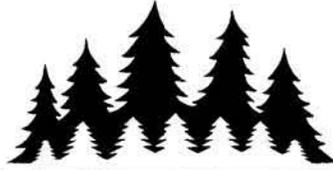
Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

MINISTRY OF FORESTS, DMO	
<b>RECEIVED</b>	
DMRL#	<u>118646</u>
JAN 20 2009	
DUE DATE: _____	
<input type="checkbox"/> DRAFT REPLY	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> FNA	<input type="checkbox"/> FYI <input type="checkbox"/> FILE



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2008

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT was to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

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**Account Balances as at December 31, 2008**

**Account Balances**

Administration Account	\$4,540,553
Contractor Mitigation Account	\$6,404,831
Forest Worker Mitigation Account	\$5,986,038
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$26,931,422</b>

**Distributions to Beneficiaries to date**

Contractor Mitigation	\$65,626,410
Forest Worker Mitigation	<u>\$41,520,101</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$107,146,511</b>

**Total available funds plus distributions** **\$134,077,933**

**Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$460,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

**Contractor Mitigation Account**

The principle used for contractor mitigation is that contractors who lost their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring received mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. This was usually based on a per cubic metre value, but contracts that were based on some other measure were treated accordingly. A detailed description of the calculation that was used is contained in the Contractor Mitigation Guidelines.

As of December 31 2008, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting an FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP were subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. This necessitated an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation. Council for Teal Jones suggests it may be a year or more before the issue is resolved. The issue has recently been complicated by the fact that the main opponent to the Teal Jones FRA was Hayes Forest Services, and it is under Companies Creditors Arrangement Act protection. A negotiated settlement between Teal Jones and Hayes Forest Services, its major replaceable contractor,

may resolve the issue in a more timely manner. In the meantime, a December BCFRT Advisory Board meeting authorized the Trustee to commence mitigation of the other Teal Jones replaceable contractors.

As of December 31, 2008, \$65,626,410 had been paid in contractor mitigation related to 295 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Approximately 30 more contractor mitigation payments should be made early in 2009.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all the claims that had been made. The view of the Advisory Board is that only two contractors have been able to substantiate their claims. One exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. The other was a conventional stump to dump contractor that worked in an area that provided unusually high profits. Both contractors were mitigated using a rate above the cap.

The BC Ombudsman's office reviewed the claim of five interior contractors that felt they should receive a larger pay out and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. Slightly higher compensation payments were made than would have been made based strictly on the formula.

As of December 31, 2008, contractor compensation payments, plus revised estimates based on pending applications, appear to be approximately 12.8%, or \$8.1 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account. Based on current estimates, there are sufficient funds in the Contractor Mitigation Account to cover all outstanding expected contractor mitigation costs.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance

from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of December 31, 2008, the BCFRT had provided funding for the severance of 827 workers, for a total cost to the BCFRT of \$41,520,101. The average severance per employee to date is significantly higher than originally projected (\$50,284) as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of employees to be severed, especially in the interior, will be lower than projected. A surplus of at least \$20,000,000 was originally expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account. It now appears there could still be approximately 4.7 million dollars more in the Forest Worker Mitigation account than will be required. These funds will be made available at the discretion of the Advisory Board to provide mitigation for other forest workers and replaceable contractors that have been or will be negatively impacted by provincial government land use decisions.

### **Looking Ahead**

The first quarter of 2009 will likely include the following activity:

1. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of the FRA.
2. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors, on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and replaceable contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee

DMO file: 200-20/BCFRT



**BC Forestry Revitalization Trust**

July  
~~April~~ 15, 2008

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

MINISTRY OF FORESTS, DMO	
<b>RECEIVED</b>	
DMRL#	114978
JUL 23 2008	
DUE DATE: _____	
<input type="checkbox"/> DRAFT REPLY	<input type="checkbox"/> REPLY DIRECT
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*DK*  
*No reply req'd*

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2008 Second Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2008 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2008

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

#### Account Balances as at June 30, 2008

##### Account Balances

Administration Account	\$4,593,531
Contractor Mitigation Account	\$8,915,453
Forest Worker Mitigation Account	\$6,504,476
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$30,013,460</b>

##### Distributions to Beneficiaries to date

Contractor Mitigation	\$62,993,092
Forest Worker Mitigation	<u>\$40,892,617</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$103,885,709</b>

<b>Total available funds plus distributions</b>	<b>\$133,899,169</b>
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## **Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$400,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

## **Contractor Mitigation Account**

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines.

As of June 30, 2008, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP are subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The court decision is being appealed, and council for Teal Jones suggests it may be a year or more before the issue is resolved. This necessitated an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation.

Also as of June 30, 2008, \$62,993,092 had been paid in contractor mitigation related to 283 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments should be made during 2008. It appears approximately 326 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board to date is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not appropriate. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has also reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes it should receive larger mitigation payments than the formula and cap will allow. A business valuer has been retained to review its claim. The report and claim will be considered at a future Advisory Board meeting.

As of June 30, 2008, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 10.9%, or \$6.9 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of June 30, 2008, the BCFRT had provided funding for the severance of 809 workers, for a total cost to the BCFRT of \$40,892,617. The average severance per employee to date is significantly higher than originally projected (\$50,643) as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of employees to be severed, especially in the interior, will be lower than projected. A surplus of at least \$20,000,000 was expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account.

## **Roll over of the BCFRT**

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons, including those mentioned above, it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, current estimates suggest that even once all the existing beneficiaries receive mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II will be posted on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com). The new trust is essentially a roll over of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and contractors that might be negatively affected by future land use decisions.

## **Looking Ahead**

The third quarter of 2008 will likely include the following activity:

1. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
2. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee

**Gillis, Shelli FOR:EX**

---

**Subject:** FW: BC Forestry Revitalization Trust - 2008 Second Quarter Report

-----Original Message-----

From: eric@vansoeren.net [mailto:eric@vansoeren.net]  
Sent: Thursday, July 24, 2008 8:21 AM  
To: Gillis, Shelli FOR:EX  
Subject: Re: BC Forestry Revitalization Trust - 2008 Second Quarter Report

Shelli, Looks like I ran into a find and replace problem. I sent the same cover letter to ten people, but only the one to the Minister had the correct July 15, 2008 date. At least they all mention that this is the second quarter report, so that find and change did work, since the April 15 letter referred to the first quarter report. Thanks for the heads up. Eric van Soeren phone: 250-537-1533 fax: 250-537-1534 email: eric@vansoeren.net --- On Wed, 7/23/08, Gillis, Shelli FOR:EX <Shelli.Gillis@gov.bc.ca> wrote: > From: Gillis, Shelli FOR:EX <Shelli.Gillis@gov.bc.ca>> Subject: BC Forestry Revitalization Trust - 2008 Second Quarter Report > To: eric@vansoeren.net > Date: Wednesday, July 23, 2008, 3:10 PM > Hi Eric, > I was asked to find out from you if the cover page for the > letter we > received today (accompanied by the Report of the Trustee as > of June > 30th) should still have the written date of April 15/08 as > the report > from May also did? > > Thanks! > > Shelli Gillis > Receptionist > Deputy Minister's Office > Ministry of Forests and Range > 3rd Floor, 1520 Blanshard St. > Victoria, BC V8W 3K2 > > Ph: (250) 387-4809 Fax: (250) 953-3687

*This is the  
email stating the  
letter written date  
was supposed to  
be July 15 rather  
than Apr. 15. Shall I  
embed this  
also?  
sz*



DMO 200/20 BCFRT

**BC Forestry Revitalization Trust**

April 15, 2008

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

① David Wood  
② Andrea for DMO file

MINISTRY OF FORESTS, DMO	
<b>RECEIVED</b>	
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Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2008 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2008 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



## BC Forestry Revitalization Trust

### Report of the Trustee as of March 31, 2008

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province and received a commitment for the additional funds, so the BCFRT Advisory Board finalized the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

#### Account Balances as at March 31, 2008

##### Account Balances

Administration Account	\$4,608,596
Contractor Mitigation Account	\$9,891,815
Forest Worker Mitigation Account	\$6,818,655
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$31,319,066</b>

##### Distributions to Beneficiaries to date

Contractor Mitigation	\$63,815,168
Forest Worker Mitigation	<u>\$40,545,975</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$104,361,143</b>

**Total available funds plus distributions** **\$135,680,209**

### **Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$400,000. A significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### **Contractor Mitigation Account**

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines.

As of March 31, 2008, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP are subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The court decision is being appealed, and council for Teal Jones suggests it may be a year or more before the issue is resolved. This necessitated an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation.

Also as of March 31, 2008, \$63,815,168 had been paid in contractor mitigation related to 275 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments should be made during 2008. It appears approximately 327 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board to date is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not appropriate. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has also reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes it should receive larger mitigation payments than the formula and cap will allow. A business valuer has been retained to review its claim. The report and claim will be considered at a future Advisory Board meeting.

As of March 31, 2008, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 10.7%, or \$6.8 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of March 31, 2008, the BCFRT had provided funding for the severance of 805 workers, for a total cost to the BCFRT of \$40,545,975. The average severance per employee to date is significantly higher than originally projected (\$50,368) as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of employees to be severed, especially in the interior, will be lower than projected. A surplus of at least \$20,000,000 was expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account.

## **Roll over of the BCFRT**

The original BCFRT was slated to terminate effective March 31, 2008. However, for a variety of reasons, including those mentioned above, it was not possible to mitigate all the eligible beneficiaries of the BCFRT by that time. Further, current estimates suggest that even once all the existing beneficiaries receive mitigation, there would still be funds left in the BCFRT. Therefore, it was agreed by the Trustee, the Province and the Advisory Board members that the BCFRT should be extended, the group of potential beneficiaries be expanded, and the Trustee be given limited discretion to deem that individuals who would not otherwise be eligible beneficiaries of the BCFRT be included. The Minister of Forests and Range and the Trustee signed a new Declaration of Trust, and all assets and obligations of the BCFRT were assumed by the new BCFRT II. A copy of the Declaration of Trust that created the BCFRT II will be posted on the BCFRT website at [www.bcfrrt.com](http://www.bcfrrt.com). The new trust is essentially a roll over of the original BCFRT, but with slightly expanded beneficiaries and no fixed termination date. It also allows for mitigation to be made available to workers and contractors that might be negatively affected by future land use decisions.

## **Looking Ahead**

The second quarter of 2008 will likely include the following activity:

1. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
2. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will meet with the Advisory Board to discuss how best to use the increased flexibility afforded in providing mitigation to workers and contractors that are affected by government land use decisions that have negative impacts on harvesting opportunities.

Eric van Soeren  
Trustee



*DMO file  
200-20/BCFRT*

**BC Forestry Revitalization Trust**

February 29, 2008

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

MINISTRY OF FORESTS, DMO	
<b>RECEIVED</b>	
DMRL#	<u>112380</u>
MAR 11 2008	
<i>CLOSE 'E</i>	
DUE DATE: _____	
<input type="checkbox"/> DRAFT REPLY	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> FNA	<input type="checkbox"/> FYI <input checked="" type="checkbox"/> FILE

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2007 Annual Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2007 Annual Report.

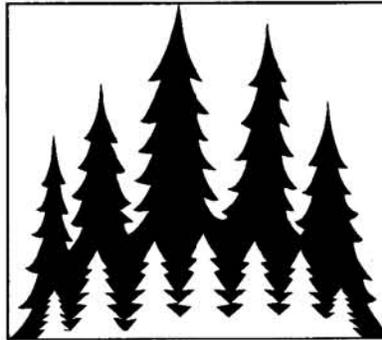
Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

# **The BC Forestry Revitalization Trust**



## **2007 Annual Report**

**Trustee  
Eric van Soeren**

# BC Forestry Revitalization Trust

## Report of the Trustee

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. Advisory Board membership as of year-end was as follows:

John Allan, Board Member representing the Council of Forest Industries  
Jim Girvan, Board Member representing the Truck Loggers Association  
Monty Mearnes, Board Member representing the United Steelworkers of  
America – IWA Council  
Tim Menning, Board Member representing the Interior Logging  
Association, the Central Interior Loggers Association and the North  
West Logging Association  
David Morel, Board Member representing the Ministry of Forests and  
Range  
Darrel Wong, Board Member representing the United Steelworkers of  
America – IWA Council  
Rick Jeffrey, Board Member representing the Coast Forest Products  
Association

During 2004 the Advisory Board developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate in the Interior. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee determined that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts as of December 31, 2004, plus what the BCFRT would likely earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. On January 21, 2005 the Premier made a public commitment to ask the BC Legislature to approve the required extra

\$50,000,000. On February 22, 2005 the legislature approved the request. Of that amount, \$40,000,000 was transferred to the BCFRT, and \$10,000,000 has been held back by the Ministry of Forests and Range pending confirmation that the funds will be required. Therefore, the draft guidelines were finalized.

Significant mitigation payments have been made as of December 31, 2007. Based on the Forestry Revitalization Proposals (FRPs) and related mitigation applications received to date, it is clear that contractor mitigation costs and employee mitigation costs per severed employee are higher than originally expected. However, the total number of severed employees is significantly lower than originally expected. A combination of reasonable investment returns, lower than expected administration costs, and lower than expected total severance costs have more than compensated for higher than expected contractor mitigation costs.

Therefore, as of the end of 2007, the Trustee believes the funds already in the BCFRT will be sufficient to make future required mitigation payments based on the Contractor and Worker Mitigation Guidelines, and it will not be necessary to draw down on the \$10,000,000 that has been committed to the BCFRT by the Ministry of Forests and Range.

#### **Administration Account**

When the BCFRT was created, \$5 million was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has only been reduced to \$4.6 million. It appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

#### **Contractor Mitigation Account**

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) timber reallocation will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is in the Contractor Mitigation Guidelines, which can be found by following the links to Contractor Mitigation Guidelines on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).

As of December 31, 2007, the holders of 262 replaceable contracts had been partially or completely compensated for the loss of their replaceable contractual rights. Total contractor compensation paid out as of December 31, 2007 was \$60,879,740.

#### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA timber reallocation will receive severance paid to them by their employer,

but funded by the BCFRT. The Advisory Board felt it was fair that all employees of licensees and replaceable contractors who lose their jobs as a result of FRA timber reallocation be treated the same. Because the Steelworkers (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, which can be found by following the links to Forest Worker Mitigation Guidelines on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com).

As of December 31, 2007, severance payments had been made to 802 forest workers, at a total cost to the BCFRT of \$40,470,806.

### **Termination of the BC Forestry Revitalization Trust**

The Trust Deed that created the BC Forestry Revitalization Trust calls for the termination of the Trust by March 31, 2008. However, approximately 60 contractors and an unknown number of employees still need to be dealt with. Of those, mitigation for 14 replaceable contractors cannot be resolved yet because the Forestry Revitalization Proposal that relates to them is being disputed and is before the courts. Several of the other replaceable contractors are either having difficulty obtaining the information required to value their claim, dispute the amounts they would receive based on the Contractor Mitigation Guidelines, or simply have not applied yet for themselves or their ex-employees. Therefore, the Trustee hopes to essentially roll the Trust over so the outstanding beneficiaries can apply and receive appropriate mitigation, and the various disputes can be resolved. The Trustee is in discussions with the BCFRT Advisory Board and Ministry of Forests and Range staff to try to complete the roll over before the termination of the Trust.

**BC FORESTRY REVITALIZATION TRUST**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2007**

**BC FORESTRY REVITALIZATION TRUST**  
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Schedule of Funds	Schedule 2

Exhibit A

To the Trustee  
**BC Forestry Revitalization Trust**

**AUDITORS' REPORT**

We have audited the statement of financial position of BC Forestry Revitalization Trust as at December 31, 2007, and the statements of receipts and expenditures and net assets for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and its receipts and expenditures for the year then ended in accordance with Canadian generally accepted accounting principles.

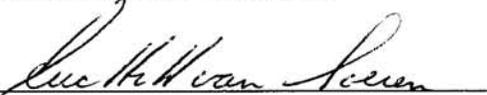
  
\_\_\_\_\_  
**CHARTERED ACCOUNTANTS**

Vancouver, B.C.  
February 19, 2008

**BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2007**

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash - note 6	\$ 24,622	\$ 15,280
Marketable securities - at cost - Schedule 1	21,848,308	40,541,923
Interest receivable	<u>386,351</u>	<u>452,555</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,259,281</u></b>	<b><u>\$ 41,009,758</u></b>
 <b>LIABILITIES</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	<u>\$ 27,044</u>	<u>\$ 43,994</u>
<b>TOTAL LIABILITIES</b>	<u>27,044</u>	<u>43,994</u>
 <b>FUND BALANCES</b>		
<b>NET ASSETS</b>		
Administration Fund - Schedule 2	4,587,331	4,582,340
Contractor Mitigation Fund - Schedule 2	10,909,749	6,722,901
Forest Worker Mitigation Fund - Schedule 2	<u>6,735,157</u>	<u>29,660,523</u>
<b>TOTAL NET ASSETS</b>	<u>22,232,237</u>	<u>40,965,764</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 22,259,281</u></b>	<b><u>\$ 41,009,758</u></b>

**APPROVED BY THE TRUSTEE**

 Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<b><u>\$ 1,043,214</u></b>	<b><u>\$ 2,019,777</u></b>
<b>NON-OPERATING TRANSACTIONS</b>		
Disbursements to beneficiaries	<u>(19,776,741)</u>	<u>(50,929,750)</u>
	<u>(19,776,741)</u>	<u>(50,929,750)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>40,965,764</u></b>	<b><u>89,875,737</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u><u>\$ 22,232,237</u></u></b>	<b><u><u>\$ 40,965,764</u></u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>INTEREST RECEIPTS - note 4(b)</b>	<u>\$ 197,363</u>	<u>\$ 685,184</u>	<u>\$ 354,849</u>	<u>\$ 1,237,396</u>	<u>\$ 2,388,901</u>
<b>EXPENDITURES - note 4(c)</b>					
Administration fees	383	-	-	383	900
Audit fees	17,400	-	-	17,400	31,750
Bank charges and interest	200	1,355	455	2,010	3,375
GST expense	10,726	-	-	10,726	22,298
Legal fees	4,121	-	-	4,121	4,990
Office	1,322	-	-	1,322	1,283
Project analysis	11,667	-	-	11,667	26,533
Travel and entertainment	713	-	-	713	1,675
Trustee fees	<u>145,840</u>	<u>-</u>	<u>-</u>	<u>145,840</u>	<u>276,320</u>
	<u>192,372</u>	<u>1,355</u>	<u>455</u>	<u>194,182</u>	<u>369,124</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ 4,991</u>	<u>\$ 683,829</u>	<u>\$ 354,394</u>	<u>\$ 1,043,214</u>	<u>\$ 2,019,777</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SCHROEDER & ASSOCIATES, Chartered Accountants

**BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**1. PURPOSE OF THE TRUST**

The BC Forestry Revitalization Trust (the "Trust") was established by Deed of Trust dated March 17, 2003 (the "Trust Deed"). Pursuant to Bill 28-2003, the *Forestry Revitalization Act*, the Ministry of Forests of the Province of British Columbia made a payment of \$75,000,000 to settle the Trust (the "First Payment"). On February 22, 2005, the Government of the Province of British Columbia passed legislation to make an additional contribution of \$50,000,000 to the Trust (the "Second Payment"), to increase the funds available for distribution to \$125,000,000. A portion of \$40,000,000 of the second payment was received during a prior year. The remaining amount is held by the Government of the Province of British Columbia until such a time as the Trust requires the funds. The funds are to be used to mitigate adverse financial impacts suffered by certain workers and replaceable contractors as a result of restructuring of the forestry sector and harvesting operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.

**2. BENEFICIARIES OF THE TRUST**

The beneficiaries of the Trust are:

- (a) certain workers (unemployed forestry workers and retraining forestry workers as defined in subparagraph 2.02(2)(a) and (b) of the Trust Deed); and
- (b) certain contractors (as defined in subparagraph 2.02(2)(c) of the Trust Deed) who hold a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation* of the *Forest Act*.

**3. DURATION OF THE TRUST**

Subject to a possible extension of up to two years the Trust will terminate on the earlier of:

- (a) March 31, 2008; and
- (b) any date on which there is no remaining Trust property.

**4. SIGNIFICANT ACCOUNTING POLICIES**

(a) Fund Accounting

The BC Forestry Revitalization Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the Trust Deed and are to be used only for the specified purposes. The Trust comprises the following funds:

(i) Administration Fund

In accordance with the Trust Deed, \$5 million of the First Payment was allocated to the Administration Fund to meet administration expenses for the duration of the Trust.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time from the Administration Fund to the other two funds to the extent that the transferred amounts are in excess of anticipated administrative expenses of the Trust. Any such transfers cannot be reversed.

**BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

4. **SIGNIFICANT ACCOUNTING POLICIES, cont'd**

(ii) Contractor Mitigation Fund

In accordance with the Trust Deed, \$23 million of the First Payment was allocated to the Contractor Mitigation Fund.

This fund is to be used to provide mitigation to certain replaceable contractors for reductions in their contract volumes resulting from the reduction in the harvesting rights of certain licensees under the *Forestry Revitalization Act*;

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(iii) Forest Worker Mitigation Fund

In accordance with the Trust Deed, \$47 million of the First Payment was allocated to the Forest Worker Mitigation Fund.

This fund is to be used to provide mitigation to certain forestry workers who ceased to be employed by certain licensees or replaceable contractors as a result of reductions in the harvesting rights of certain licensees under the *Forestry Revitalization Act*.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(b) Revenue Recognition and Allocation

Investment income is recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

All income earned in respect of funds held in a mitigation fund shall be income of that mitigation fund and form part of the capital of that fund.

All income earned in any fiscal year in respect of funds held in the Administration Fund (net of any applicable taxes) will first be used to pay administrative expenses for the fiscal year. The remainder, if any, shall be added to the other two funds on a pro-rata basis as defined in the Trust Deed.

(c) Expenditures Allocation

In accordance with the Trust Deed, all expenditures are to be paid out of the Administration Fund.

(d) Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

**BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**5. STATEMENT OF CASH FLOWS**

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

**6. CASH**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
Cash	\$ 23,500	\$ 630	\$ 492	<b>\$ 24,622</b>	<b>\$ 15,280</b>

**7. INCOME TAXES**

The Trustee is of the opinion that the Trust is either a non-profit organization for income tax purposes or a public body performing a function of government. Under either definition, the Trust's income would not be subject to income taxes.

During a prior year, an appeals officer of the Canada Revenue Agency (the "CRA") requested certain information regarding the purpose of the Trust and indicated verbally that she concurred with the Trustee's opinion. During the year, the Trustee received a notice of assessment confirming that the Trust is not subject to Income Taxes.

**8. GOODS AND SERVICES TAXES**

The Trustee has received advice from the CRA that the Trust will not be able to recover any Input Tax Credits.

**9. FAIR VALUE AND CREDIT RISK**

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The Trust does not have a significant concentration of credit risk.

**10. COMMITMENTS**

In accordance with the Trust deed, all funds must be disbursed to beneficiaries by March 31, 2008 pursuant to the purpose of the Trust and the guidelines prepared by the Trustee and approved by the Advisory Board. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

**BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**11. SUFFICIENCY OF FUNDS**

During a prior year, the Trustee and Advisory Board developed Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. Based on those guidelines the Trustee regularly updates calculations of the expected amounts required to make mitigation payments to eligible workers and replaceable contractors in accordance with the purpose of the Trust. These calculations are based on certain assumptions and on information and estimates provided by affected licensees and contractors.

The Trustee is satisfied that the funds currently available will permit the Trust to fulfill its expected obligations under the Forest Worker and Contractor Mitigation Guidelines, without the need to draw down on the last \$10,000,000 of the Second Payment.

**12. SUBSEQUENT EVENT**

The Trust is not expected to be able to compensate all beneficiaries before March 31, 2008. Accordingly, the Trustee intends to solicit the approval of the Advisory Board and government representatives to continue the Trust under similar guidelines to the existing Trust.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
Government of Canada Treasury Bill Face Value \$150,000 Due March 8, 2007	\$ -	\$ -	\$ -	\$ -	\$ 148,372
Government of Canada Treasury Bill Face Value \$1,589,000 Due July 12, 2007	-	-	-	-	1,550,781
Franchise II Trust Discount Note Face Value \$50,000 Due January 3, 2007	-	-	-	-	49,629
Royal Bank BA Face Value \$1,094,000 Due May 22, 2007	-	-	-	-	1,072,366
CIBC BA Face Value \$1,812,000 Due May 18, 2007	-	-	-	-	1,775,767
Government of Canada Treasury Bill Face Value \$1,114,000 Due January 25, 2007	-	-	-	-	1,083,691
Government of Canada Treasury Bill Face Value \$2,220,000 Due February 22, 2007	-	-	-	-	2,152,572

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
<i>carried forward</i>	-	-	-	-	7,833,178
National Bank of Canada Discount Note Face Value \$1,112,000 Due March 7, 2007	-	-	-	-	1,089,133
Res Province of Saskatchewan Face Value \$848,000 Due March 9, 2007	-	-	-	-	821,846
Res Canada Housing Trust Face Value \$589,000 Due March 15, 2007	-	-	-	-	567,751
CPN Province of Quebec Face Value \$886,000 Due April 1, 2007	-	-	-	-	866,778
Government of Canada Treasury Bill Face Value \$2,213,000 Due February 8, 2007	-	-	-	-	2,170,092
Government of Canada Treasury Bill Face Value \$3,000,000 Due May 3, 2007	-	-	-	-	2,949,627

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
<i>carried forward</i>	-	-	-	-	16,298,405
Government of Canada Treasury Bill Face Value \$3,000,000 Due July 12, 2007	-	-	-	-	2,927,844
Government of Canada Treasury Bill Face Value \$3,000,000 Due August 9, 2007	-	-	-	-	2,919,423
CIBC BA Face Value \$39,000 Due January 3, 2007	-	-	-	-	38,866
Bank of Nova Scotia Discount Note Face Value \$983,000 Due January 3, 2007	-	-	-	-	960,477
RES Province of Ontario Face Value \$1,163,700 Due March 8, 2007	-	-	-	-	1,134,052
Res Canada Housing Trust Face Value \$4,809,000 Due March 15, 2007	-	-	-	-	4,663,229

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
<i>carried forward</i>	-	-	-	-	28,942,296
Royal Bank Discount Note Face Value \$2,902,000 Due April 5, 2007	-	-	-	-	2,843,113
National Bank of Canada BA Face Value \$2,609,000 Due April 10, 2007	-	-	-	-	2,555,309
FirstBank BA Face Value \$2,079,000 Due April 16, 2007	-	-	-	-	2,036,645
Citibank N.A Discount Note Face Value \$2,041,000 Due May 29, 2007	-	-	-	-	1,999,641
Res Province of Saskatchewan Face Value \$2,231,500 Due September 6, 2007	-	-	-	-	2,164,919
National Bank of Canada BA Face Value \$1,626,000 Due January 7, 2008	1,589,795	-	-	<b>1,589,795</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
<i>carried forward</i>	1,589,795	-	-	<b>1,589,795</b>	40,541,923
PRN Canada Housing Trust No. 1 Face Value \$1,113,700 Due March 15, 2008	1,099,346	-	-	<b>1,099,346</b>	-
CDN Imperial Bank of Commerce BA Face Value \$1,897,000 Due May 28, 2008	1,814,141	-	-	<b>1,814,141</b>	-
Royal Bank of Canada BA Face Value \$1,224,000 Due February 5, 2008	-	-	1,209,449	<b>1,209,449</b>	-
CIBC GIC Face Value \$580,000 Due March 5, 2008	-	-	580,000	<b>580,000</b>	-
Bank of Nova Scotia Discount Note Face Value \$493,000 Due March 6, 2008	-	-	483,352	<b>483,352</b>	-
RES Province of Ontario Face Value \$2,975,300 Due March 8, 2008	-	-	2,897,264	<b>2,897,264</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
<i>carried forward</i>	4,503,282	-	5,170,065	<b>9,673,347</b>	40,541,923
RES Province of British Columbia Face Value \$1,591,800 Due June 9, 2008	-	-	1,563,152	<b>1,563,152</b>	-
National Bank of Canada BA Face Value 1,500,000 Due January 3, 2008	-	1,454,367	-	<b>1,454,367</b>	-
JPMorgan Chase Bank Discount Note Face Value \$356,000 Due January 4, 2008	-	351,630	-	<b>351,630</b>	-
Nestle Capital Canada Discount Note Face Value \$262,000 Due January 15, 2008	-	259,507	-	<b>259,507</b>	-
Royal Bank of Canada BA Face Value \$1,906,000 Due February 22, 2008	-	1,837,022	-	<b>1,837,022</b>	-
Res Province of Ontario Face Value \$2,742,735 Due March 8, 2008	-	2,669,309	-	<b>2,669,309</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2007 Total</u>	<u>2006 Total</u>
<i>carried forward</i>	4,503,282	6,571,835	6,733,217	<b>17,808,334</b>	40,541,923
Pm Canada Housing Trust Face Value \$1,004,850 Due March 15, 2008	-	993,702	-	<b>993,702</b>	-
Royal Bank of Canada BA Face Value \$46,000 Due March 24, 2008	-	45,461	-	<b>45,461</b>	-
Res Province of New Brunswick Face Value \$1,324,000 Due June 2, 2008	-	1,282,694	-	<b>1,282,694</b>	-
RES Province of Manitoba Face Value \$578,800 Due June 2, 2008	-	563,277	-	<b>563,277</b>	-
GoC Treasury Bill Face Value \$1,154,840 Due March 8, 2007	-	1,154,840	-	<b>1,154,840</b>	-
Marketable Securities	<u>\$ 4,503,282</u>	<u>\$ 10,611,809</u>	<u>\$ 6,733,217</u>	<u>\$ 21,848,308</u>	<u>\$ 40,541,923</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2007 Total</u></b>	<b><u>2006 Total</u></b>
Balance, beginning of year	\$ 4,582,340	\$ 6,722,901	\$ 29,660,523	<b>\$ 40,965,764</b>	\$ 89,875,737
Disbursements to beneficiaries	-	(16,496,981)	(3,279,760)	<b>(19,776,741)</b>	(50,929,750)
Excess of receipts over expenditures	4,991	683,829	354,394	<b>1,043,214</b>	2,019,777
Interfund reallocation	-	<u>20,000,000</u>	<u>(20,000,000)</u>	-	-
Balance, end of year	<u>\$ 4,587,331</u>	<u>\$ 10,909,749</u>	<u>\$ 6,735,157</u>	<b><u>\$ 22,232,237</u></b>	<b><u>\$ 40,965,764</u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**BC Forestry Revitalization Trust**

*200-20 / BCFRT*  
*Dmo file*

January 15, 2008

Doug Konkin *DK*  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

MINISTRY OF FORESTS, DMO	
<b>RECEIVED</b>	
DMRL#	<u>11355</u>
JAN 18 2008	
<i>CLOSE '7</i>	
DUE DATE: _____	
<input type="checkbox"/> DRAFT REPLY	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> FNA	<input type="checkbox"/> FYI <input checked="" type="checkbox"/> FILE

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2007 Fourth Quarter Report**

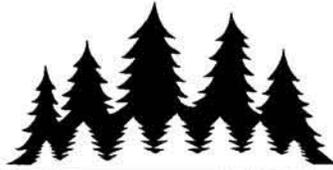
Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2007 Fourth Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2007

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of December 31, 2007, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,605,826
Contractor Mitigation Account	\$10,839,163
Forest Worker Mitigation Account	\$6,814,987
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$32,259,976</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$60,879,740
Forest Worker Mitigation	<u>\$40,470,586</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$101,350,326</b>

**Total available funds plus distributions** **\$133,610,302**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$400,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of December 31, 2007, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP are subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The court decision is being appealed, and council for Teal Jones suggests it may be a year or more before the issue is resolved. This will

necessitate an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation.

Also as of December 31, 2007, \$60,879,740 had been paid in contractor mitigation related to 262 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will be made during 2008. It appears approximately 323 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board to date is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not appropriate. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has also reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There were two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes it should receive larger mitigation payments than the formula and cap will allow. A business valuer has been retained to review its claim. The report and claim will be considered at a future Advisory Board meeting.

As of December 31, 2007, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 11.9%, or \$7.6 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

## **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of December 31, 2007, the BCFRT had provided funding for the severance of 802 workers, for a total cost to the BCFRT of \$40,470,806. The average severance per employee to date is significantly higher than originally projected (\$50,565) as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, it is now clear that the total number of employees to be severed, especially in the interior, will be lower than projected. A surplus of at least \$20,000,000 was expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This was moved to the Contractor Mitigation Account to cover the shortfall in that Account.

### **Looking Ahead**

The first quarter of 2008 will likely include the following activity:

1. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
2. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
4. The Trustee will arrange to have the mandate of the BCFRT extended so that as yet unresolved mitigation payments can be settled.

Eric van Soeren  
Trustee



BC Forestry Revitalization Trust

MINISTRY OF FORESTS, BMO	
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October 15, 2007

Doug Konkin  
 Deputy Minister of Forests and Range  
 Ministry of Forests and Range  
 3<sup>rd</sup> Floor, 1520 Blanshard Street  
 P.O. Box 9525 Stn Prov Govt  
 Victoria, BC V8W 9C3

*DLK*  
*No reply req'd*  
*DLK*

*200-20/BCFR*

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2007 Third Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2007 Third Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
 Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of September 30, 2007

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of September 30, 2007, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,598,409
Contractor Mitigation Account	\$14,101,404
Forest Worker Mitigation Account	\$6,746,467
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$35,446,280</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$57,497,379
Forest Worker Mitigation	<u>\$40,464,387</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$97,961,766</b>

**Total available funds plus distributions** **\$133,408,046**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$400,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of September 30, 2007, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP are subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The court decision is being appealed, and council for Teal Jones suggests it may be up to a year before the issue is resolved. This may

necessitate an extension of the mandate of the BCFRT, so that the workers and contractors that are ultimately negatively impacted by the Teal Jones AAC reduction can receive appropriate mitigation.

Also as of September 30, 2007, \$57,497,379 had been paid in contractor mitigation related to 250 affected contracts. Discussions are underway with other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will be made during 2007. It appears approximately 322 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors felt that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board to date is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not appropriate. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has also reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

There have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes it should receive larger mitigation payments than the formula and cap will allow. A business valuer has been retained to review its claim. The report and claim will be considered at a future Advisory Board meeting.

As of September 30, 2007, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 12.2%, or \$7.8 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will likely be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 has been moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

## **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of September 30, 2007, the BCFRT had provided funding for the severance of 802 workers, for a total cost to the BCFRT of \$40,464,387. The average severance per employee to date is significantly higher than originally projected (\$50,454 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, a surplus of at least \$20,000,000 is expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This has been moved to the Contractor Mitigation Account to cover the shortfall in that Account.

### **Looking Ahead**

The fourth quarter of 2007 will likely include the following activity:

1. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
2. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
3. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee





**BC Forestry Revitalization Trust**

*DMO file  
200-20/BCFRT*

April 15, 2007

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

MINISTRY OF FORESTS AND RANGE
DMRL# 105870
APR 18 2007
CLOSE :
DUE DATE:
<input type="checkbox"/> DRAFT REPLY
<input type="checkbox"/> FNA

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2007 First Quarter Report**

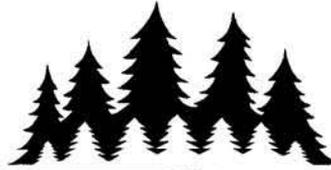
Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2007 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

---

### Report of the Trustee as of March 31, 2007

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of March 31, 2007, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,590,016
Contractor Mitigation Account	\$20,631,334
Forest Worker Mitigation Account	\$9,551,528
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$44,772,878</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$50,644,658
Forest Worker Mitigation	<u>\$37,471,487</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$88,116,145</b>

**Total available funds plus distributions** **\$132,889,023**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$410,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of March 31, 2007, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP will be subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The Supreme Court declined to rule on the FRP, so a mediator will review that FRP, hopefully in the second quarter of 2007.

Also as of March 31, 2007, \$50,644,658 had been paid in contractor mitigation related to 206 affected contracts. Discussions are underway with many other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will be made during 2007. It appears approximately 320 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not fair. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume. The Advisory Board continues to accept the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp.

There have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes he should receive larger payouts than the formula and cap will allow. His claim will be considered at a future Advisory Board meeting.

As of March 31, 2007, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 12.5%, or \$8.0 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will likely be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 has been moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

## **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of March 31, 2007, the BCFRT had provided funding for the severance of 760 workers, for a total cost to the BCFRT of \$37,471,487. The average severance per employee to date is significantly higher than originally projected (\$49,721 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, there will be a surplus of approximately \$20,000,000 in the BCFRT to deal with employee mitigation according to the Guidelines. This has been moved to the Contractor Mitigation Account to cover the shortfall in that Account.

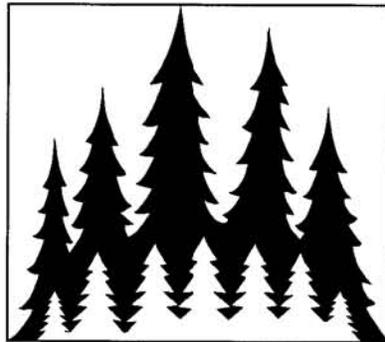
### **Looking Ahead**

The second quarter of 2007 will likely include the following activity:

1. Notification will be received on the few FRPs that will be implemented on coastal and interior licensees for which the BCFRT has not yet received documentation.
2. The disputes involving the revised Teal Jones coastal FRP may be resolved, and compensation can start to be offered to the affected contractors and their employees.
3. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
4. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren, Trustee

# **The BC Forestry Revitalization Trust**



## **2006 Annual Report**

**Trustee  
Eric van Soeren**

# BC Forestry Revitalization Trust

## Report of the Trustee

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. Advisory Board membership as of year-end was as follows:

John Allan, Board Member representing the Council of Forest Industries  
Jim Girvan, Board Member representing the Truck Loggers Association  
Monty Mearnes, Board Member representing the United Steelworkers of  
America – IWA Council  
Tim Menning, Board Member representing the Interior Logging  
Association, the Central Interior Loggers Association and the North  
West Logging Association  
David Morel, Board Member representing the Ministry of Forests and  
Range  
Darrel Wong, Board Member representing the United Steelworkers of  
America – IWA Council  
Rick Jeffrey, Board Member representing the Coast Forest Products  
Association

During 2004 the Advisory Board developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate in the Interior. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts as of December 31, 2004, plus what the BCFRT would likely earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. On January 21, 2005 the Premier made a public commitment to ask the BC Legislature to approve the required extra

\$50,000,000. On February 22, 2005 the legislature approved the request. Of that amount, \$40,000,000 was transferred to the BCFRT, and \$10,000,000 has been held back by the Ministry of Forests and Range pending confirmation that the funds will be required. Therefore, the draft guidelines were finalized.

Significant mitigation payments have been made as of December 31, 2006. Based on the Forestry Revitalization Proposals (FRPs) and related mitigation applications received to date, it is clear that contractor mitigation costs and employee mitigation costs per severed employee will be higher than originally expected. However, the total number of severed employees will likely be lower than originally expected. It may still be necessary to draw on some of the \$10,000,000 that has been committed to the BCFRT by the Ministry of Forests and Range, but a combination of reasonable investment returns, lower than expected administration costs, and lower than expected total severance costs have more than compensated for higher than expected contract mitigation costs.

Therefore, as of the end of 2006, the Trustee believes the funds in the BCFRT, will be sufficient to make future required mitigation payments based on the Contractor and Worker Mitigation Guidelines. ✓

#### **Administration Account**

When the BCFRT was created, \$5 million was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has only been reduced to \$4.6 million. It appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

#### **Contractor Mitigation Account**

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) timber reallocation will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is in the Contractor Mitigation Guidelines, which can be found by following the links to Contractor Mitigation Guidelines on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com).

As of December 31, 2006, the holders of 186 replaceable contracts had been partially or completely compensated for the loss of their replaceable contractual rights. Total contractor compensation paid out as of December 31, 2006 was \$44,405,374.

#### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA timber reallocation will receive severance paid to them by their employer,

but funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA timber reallocation be treated the same. Because the Steelworkers (previously IWA) contract mandates what employees that are affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, which can be found by following the links to Forest Worker Mitigation Guidelines on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com).

As of December 31, 2006, severance payments had been made to 754 forest workers, at a total cost to the BCFRT of \$37,190,728.

### **Looking Ahead**

As of December 31, 2006, Forestry Revitalization Proposals (FRPs) had been prepared and/or implemented for 100% of the volume affected by the Forestry Revitalization Act. The FRP for one licensee is being disputed, so no progress can be made on contractor or employee mitigation related to that FRP until it is resolved, either through the courts or arbitration.

In some cases, FRPs extended replaceable contracts to December 31, 2006 or later, so no contractor or employee mitigation applications have come in from those files. In addition, a significant number of contractors have not yet applied for mitigation payments, even though they are eligible. It is likely that most of those applications will come in and be dealt with during 2007.

**THE BC FORESTRY REVITALIZATION TRUST**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2006**

**THE BC FORESTRY REVITALIZATION TRUST**  
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Statement of Receipts and Expenditures	Exhibit D
Notes to Financial Statements	Exhibit E
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Schedule of Funds	Schedule 2

Exhibit A

To the Trustee  
**The BC Forestry Revitalization Trust**

**AUDITORS' REPORT**

We have audited the statement of financial position of The BC Forestry Revitalization Trust as at December 31, 2006, and the statements of receipts and expenditures and net assets for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2006 and its receipts and expenditures for the year then ended in accordance with Canadian generally accepted accounting principles.

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**CHARTERED ACCOUNTANTS**

Vancouver, B.C.  
February 19, 2007

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2006**

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash - note 6	\$ 15,280	\$ 5,059
Marketable securities - at cost - Schedule 1	40,541,923	88,331,685
Interest receivable	<u>452,555</u>	<u>1,571,645</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 41,009,758</u></b>	<b><u>\$ 89,908,389</u></b>
 <b>LIABILITIES</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	<u>\$ 43,995</u>	<u>\$ 32,652</u>
<b>TOTAL LIABILITIES</b>	<u>43,995</u>	<u>32,652</u>
 <b>FUND BALANCES</b>		
<b>NET ASSETS</b>		
Administration Fund - Schedule 2	4,582,339	4,772,653
Contractor Mitigation Fund - Schedule 2	6,722,901	43,020,858
Forest Worker Mitigation Fund - Schedule 2	<u>29,660,523</u>	<u>42,082,226</u>
<b>TOTAL NET ASSETS</b>	<u>40,965,763</u>	<u>89,875,737</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 41,009,758</u></b>	<b><u>\$ 89,908,389</u></b>

**APPROVED BY THE TRUSTEE**

*Luc Willem van Soeren* Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<b>\$ 2,019,776</b>	<b>\$ 2,393,900</b>
<b>NON-OPERATING TRANSACTIONS</b>		
Settlement of Trust	-	40,000,000
Disbursements to beneficiaries	<u>(50,929,750)</u>	<u>(30,666,352)</u>
	<u>(50,929,750)</u>	<u>9,333,648</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>89,875,737</u>	<u>78,148,189</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 40,965,763</u>	<u>\$ 89,875,737</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<b>INTEREST RECEIPTS - note 4(b)</b>	\$ 175,635	\$ 950,806	\$ 1,262,459	\$ 2,388,900	\$ 2,700,138
<b>EXPENDITURES - note 4(c)</b>					
Administration fees	900	-	-	900	7,175
Advisory board meeting costs	-	-	-	-	65
Audit fees	31,750	-	-	31,750	20,795
Bank charges and interest	200	2,285	890	3,375	1,395
GST expense	22,298	-	-	22,298	19,850
Legal fees	4,990	-	-	4,990	9,362
Office	1,283	-	-	1,283	719
Project analysis	26,533	-	-	26,533	16,067
Travel and entertainment	1,675	-	-	1,675	3,290
Trustee fees	<u>276,320</u>	<u>-</u>	<u>-</u>	<u>276,320</u>	<u>227,520</u>
	<u>365,949</u>	<u>2,285</u>	<u>890</u>	<u>369,124</u>	<u>306,238</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ (190,314)</u>	<u>\$ 948,521</u>	<u>\$ 1,261,569</u>	<u>\$ 2,019,776</u>	<u>\$ 2,393,900</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. PURPOSE OF THE TRUST**

The BC Forestry Revitalization Trust (the "Trust") was established by Deed of Trust dated March 17, 2003 (the "Trust Deed"). Pursuant to Bill 28-2003, the *Forestry Revitalization Act*, the Ministry of Forests of the Province of British Columbia made a payment of \$75,000,000 to settle the Trust (the "First Payment"). On February 22, 2005, the Government of the Province of British Columbia passed legislation to make an additional contribution of \$50,000,000 to the Trust (the "Second Payment"), to increase the funds available for distribution to \$125,000,000. A portion of \$40,000,000 of the second payment was received during the prior year. The remaining amount is held by the Government of the Province of British Columbia until such a time as the Trust requires the funds. The funds are to be used to mitigate adverse financial impacts suffered by certain workers and replaceable contractors as a result of restructuring of the forestry sector and harvesting operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.

**2. BENEFICIARIES OF THE TRUST**

The beneficiaries of the Trust are:

- (a) certain workers (unemployed forestry workers and retraining forestry workers as defined in subparagraph 2.02(2)(a) and (b) of the Trust Deed); and
- (b) certain contractors (as defined in subparagraph 2.02(2)(c) of the Trust Deed) who hold a replaceable contract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation of the Forest Act*.

**3. DURATION OF THE TRUST**

Subject to a possible extension of up to two years the Trust will terminate on the earlier of:

- (a) March 31, 2008; and
- (b) any date on which there is no remaining Trust property.

**4. SIGNIFICANT ACCOUNTING POLICIES**

(a) Fund Accounting

The BC Forestry Revitalization Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the Trust Deed and are to be used only for the specified purposes. The Trust comprises the following funds:

(i) Administration Fund

In accordance with the Trust Deed, \$5 million of the First Payment was allocated to the Administration Fund to meet administration expenses for the duration of the Trust.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time from the Administration Fund to the other two funds to the extent that the transferred amounts are in excess of anticipated administrative expenses of the Trust. Any such transfers cannot be reversed.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

4. **SIGNIFICANT ACCOUNTING POLICIES, cont'd**

(ii) Contractor Mitigation Fund

In accordance with the Trust Deed, \$23 million of the First Payment was allocated to the Contractor Mitigation Fund.

This fund is to be used to provide mitigation to certain replaceable contractors for reductions in their contract volumes resulting from the reduction in the harvesting rights of certain licensees under the *Forestry Revitalization Act*;

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund. See note 12, Subsequent Event.

(iii) Forest Worker Mitigation Fund

In accordance with the Trust Deed, \$47 million of the First Payment was allocated to the Forest Worker Mitigation Fund.

This fund is to be used to provide mitigation to certain forestry workers who ceased to be employed by certain licensees or replaceable contractors as a result of reductions in the harvesting rights of certain licensees under the *Forestry Revitalization Act*.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund. See note 12, Subsequent Event.

(b) Revenue Recognition and Allocation

Investment income is recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

All income earned in respect of funds held in a mitigation fund shall be income of that mitigation fund and form part of the capital of that fund.

All income earned in any fiscal year in respect of funds held in the Administration Fund (net of any applicable taxes) will first be used to pay administrative expenses for the fiscal year. The remainder, if any, shall be added to the other two funds on a pro-rata basis as defined in the Trust Deed.

(c) Expenditures Allocation

In accordance with the Trust Deed, all expenditures are to be paid out of the Administration Fund.

(d) Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**5. STATEMENT OF CASH FLOWS**

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

**6. CASH**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
Cash	<u>\$ 13,516</u>	<u>\$ 914</u>	<u>\$ 850</u>	<u>\$ 15,280</u>	<u>\$ 5,059</u>

**7. INCOME TAXES**

The Trustee is of the opinion that the Trust is either a non-profit organization for income tax purposes or a public body performing a function of government. Under either definition, the Trust's income would not be subject to income taxes.

During the prior year, an appeals officer of the Canada Revenue Agency (the "CRA") requested certain information regarding the purpose of the Trust and indicated verbally that she concurred with the Trustee's opinion. During the year, the Trustee received a notice of assessment confirming that the Trust is not subject to Income Taxes.

**8. GOODS AND SERVICES TAXES**

The Trustee has received advice from the CRA that the Trust will not be able to recover any Input Tax Credits.

**9. FAIR VALUE AND CREDIT RISK**

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The Trust does not have a significant concentration of credit risk.

**10. COMMITMENTS**

In accordance with the Trust deed, all funds must be disbursed to beneficiaries by March 31, 2008 in accordance with the purpose of the Trust and the guidelines prepared by the Trustee and approved by the Advisory Board. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**11. SUFFICIENCY OF FUNDS**

During a prior year, the Trustee and Advisory Board developed Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. Based on those guidelines the Trustee regularly updates calculations of the expected amounts required to make mitigation payments to eligible workers and replaceable contractors in accordance with the purpose of the Trust. These calculations are based on certain assumptions and on information and estimates provided by affected licensees and contractors.

The Trustee and the Advisory Board are satisfied that the funds of \$125,000,000 available subsequent to the receipt of the Second Payment will permit the Trust to fulfil its expected obligations under the Forest Worker and Contractor Mitigation Guidelines.

**12. SUBSEQUENT EVENT**

At a meeting on January 23, 2007, the Trustee and Advisory Board decided to transfer \$20,000,000 from the Forest Worker Mitigation Fund to the Contractor Mitigation Fund. The Trustee advised that actual Contractor Mitigation costs exceeded initial estimates, while actual Forest Worker Mitigation costs were less than initial estimated amounts.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
Franchise Trust DN Face Value \$50,000 Due January 4, 2006	\$ -	\$ -	\$ -	\$ -	\$ 49,850
Government of Canada Treasury Bill Face Value \$1,997,000 Due March 6, 2006	-	-	-	-	1,974,901
CPN Province of Ontario Face Value \$2,800,000 Due June 2, 2006	-	-	-	-	2,637,323
Franchise Trust DN Face Value \$2,000,000 Due January 4, 2006	-	-	-	-	1,989,524
CIBC BA Face Value \$1,000,000 Due January 13, 2006	-	-	-	-	992,760
RES Province of Ontario Face Value \$2,332,000 Due January 19, 2006	-	-	-	-	2,291,388
Government of Canada Treasury Bill Face Value \$2,000,000 Due February 23, 2006	-	-	-	-	1,970,150

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	-	-	-	-	11,905,896
Government of Canada Treasury Bill Face Value \$2,000,000 Due March 23, 2006	-	-	-	-	1,965,492
CIBC BA Face Value \$2,000,000 Due April 17, 2006	-	-	-	-	1,968,838
Government of Canada Treasury Bill Face Value \$11,443,000 Due April 20, 2006	-	-	-	-	11,149,670
Government of Canada Treasury Bill Face Value \$2,000,000 Due April 20, 2006	-	-	-	-	1,960,984
Government of Canada Treasury Bill Face Value \$2,000,000 Due May 4, 2006	-	-	-	-	1,968,150
Government of Canada Treasury Bill Face Value \$1,922,000 Due May 18, 2006	-	-	-	-	1,879,962

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2006 Total</u></b>	<b><u>2005 Total</u></b>
<i>carried forward</i>	-	-	-	-	32,798,992
Government of Canada Treasury Bill Face Value \$776,000 Due May 18, 2006	-	-	-	-	761,314
CIBC BA Face Value \$768,000 Due May 18, 2006	-	-	-	-	753,537
Government of Canada Treasury Bill Face Value \$1,218,000 Due May 18, 2006	-	-	-	-	1,195,592
Government of Canada Treasury Bill Face Value \$1,691,000 Due May 18, 2006	-	-	-	-	1,660,237
RES Province of Manitoba Face Value \$1,637,000 Due June 5, 2006	-	-	-	-	1,599,598
CIBC BA Face Value \$1,288,000 Due June 16, 2006	-	-	-	-	1,261,644

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

( )

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	-	-	-	-	40,030,914
Government of Canada Treasury Bill Face Value \$1,108,000 Due July 13, 2006	-	-	-	-	1,082,786
Royal Bank BA Face Value \$185,000 Due August 4, 2006	-	-	-	-	179,651
Government of Canada Treasury Bill Face Value \$2,000,000 Due August 10, 2006	-	-	-	-	1,951,842
Government of Canada Treasury Bill Face Value \$2,000,000 Due September 7, 2006	-	-	-	-	1,946,054
RES Province of Manitoba Face Value \$817,000 Due September 7, 2006	-	-	-	-	795,749
CIBC BA Face Value \$1,287,000 Due October 5, 2006	-	-	-	-	1,248,510

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	-	-	-	-	47,235,506
RES Province of Ontario Face Value \$5,477,000 Due January 19, 2006	-	-	-	-	5,352,754
Government of Canada Treasury Bill Face Value \$1,012,000 Due January 3, 2006	-	-	-	-	1,010,877
RES Province of Ontario Face Value \$5,094,000 Due January 19, 2006	-	-	-	-	4,999,491
RES Province of Ontario Face Value \$1,000,000 Due January 19, 2006	-	-	-	-	985,824
Government of Canada Treasury Bill Face Value \$2,307,000 Due February 23, 2006	-	-	-	-	2,281,584
RES Province of Ontario Face Value \$3,407,000 Due March 8, 2006	-	-	-	-	3,312,193

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	-	-	-	-	65,178,229
RES Province of Ontario Face Value \$1,396,000 Due March 8, 2006	-	-	-	-	1,376,622
RES Province of Ontario Face Value \$830,000 Due March 8, 2006	-	-	-	-	818,656
Government of Canada Treasury Bill Face Value \$5,131,000 Due April 20, 2006	-	-	-	-	4,999,472
Government of Canada Treasury Bill Face Value \$807,000 Due May 18, 2006	-	-	-	-	791,803
CPN Province of Ontario Face Value \$5,437,000 Due June 2, 2006	-	-	-	-	5,114,455
PRN Province of New Brunswick Face Value \$2,000,000 Due June 19, 2006	-	-	-	-	1,962,428

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

( )

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	-	-	-	-	80,241,665
Government of Canada Treasury Bill Face Value \$864,000 Due July 13, 2006	-	-	-	-	844,339
RES Province of Ontario Face Value \$1,552,000 Due July 24, 2006	-	-	-	-	1,500,045
Government of Canada Treasury Bill Face Value \$647,000 Due August 10, 2006	-	-	-	-	631,431
RES Government of Canada Face Value \$5,546,000 Due December 1, 2006	-	-	-	-	5,114,205
Government of Canada Treasury Bill Face Value \$150,000 Due March 8, 2007	148,372	-	-	<b>148,372</b>	-
Government of Canada Treasury Bill Face Value \$1,589,000 Due July 12, 2007	1,550,781	-	-	<b>1,550,781</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

( )

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2006 Total</u></b>	<b><u>2005 Total</u></b>
<i>carried forward</i>	1,699,153	-	-	1,699,153	88,331,685
Franchise II Trust Discount Note Face Value \$50,000 Due January 3, 2007	49,629	-	-	49,629	-
Royal Bank BA Face Value \$1,094,000 Due May 22, 2007	1,072,366	-	-	1,072,366	-
CIBC BA Face Value \$1,812,000 Due May 18, 2006	1,775,767	-	-	1,775,767	-
Government of Canada Treasury Bill Face Value \$1,114,000 Due January 25, 2007	-	1,083,691	-	1,083,691	-
Government of Canada Treasury Bill Face Value \$2,220,000 Due February 22, 2007	-	2,152,572	-	2,152,572	-
National Bank of Canada Discount Note Face Value \$1,112,000 Due March 7, 2007	-	1,089,133	-	1,089,133	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2006 Total</u></b>	<b><u>2005 Total</u></b>
<i>carried forward</i>	4,596,915	4,325,396	-	<b>8,922,311</b>	88,331,685
Res Province of Saskatchewan Face Value \$848,000 Due March 9, 2007	-	821,846	-	<b>821,846</b>	-
Res Canada Housing Trust Face Value \$589,000 Due March 15, 2007	-	567,751	-	<b>567,751</b>	-
CPN Province of Quebec Face Value \$886,000 Due April 1, 2007	-	866,778	-	<b>866,778</b>	-
Government of Canada Treasury Bill Face Value \$2,213,000 Due February 8, 2007	-	-	2,170,092	<b>2,170,092</b>	-
Government of Canada Treasury Bill Face Value \$3,000,000 Due May 3, 2007	-	-	2,949,627	<b>2,949,627</b>	-
Government of Canada Treasury Bill Face Value \$3,000,000 Due July 12, 2007	-	-	2,927,844	<b>2,927,844</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
<i>carried forward</i>	4,596,915	6,581,771	8,047,563	<b>19,226,249</b>	88,331,685
Government of Canada Treasury Bill Face Value \$3,000,000 Due August 9, 2007	-	-	2,919,423	<b>2,919,423</b>	-
CIBC BA Face Value \$39,000 Due January 3, 2007	-	-	38,866	<b>38,866</b>	-
Bank of Nova Scotia Discount Note Face Value \$983,000 Due January 3, 2007	-	-	960,477	<b>960,477</b>	-
RES Province of Ontario Face Value \$1,163,700 Due March 8, 2007	-	-	1,134,052	<b>1,134,052</b>	-
Res Canada Housing Trust Face Value \$4,809,000 Due March 15, 2007	-	-	4,663,229	<b>4,663,229</b>	-
Royal Bank Discount Note Face Value \$2,902,000 Due April 5, 2007	-	-	2,843,113	<b>2,843,113</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2006 Total</u></b>	<b><u>2005 Total</u></b>
<i>carried forward</i>	4,596,915	6,581,771	20,606,723	<b>31,785,409</b>	88,331,685
National Bank of Canada BA Face Value \$2,609,000 Due April 10, 2007	-	-	2,555,309	<b>2,555,309</b>	-
FirstBank BA Face Value \$2,079,000 Due April 16, 2007	-	-	2,036,645	<b>2,036,645</b>	-
Citibank N.A Discount Note Face Value \$2,041,000 Due May 29, 2007	-	-	1,999,641	<b>1,999,641</b>	-
Res Province of Saskatchewan Face Value \$2,231,500 Due September 6, 2007	-	-	2,164,919	<b>2,164,919</b>	-
<b>MARKETABLE SECURITIES</b>	<b><u>\$ 4,596,915</u></b>	<b><u>\$ 6,581,771</u></b>	<b><u>\$ 29,363,237</u></b>	<b><u>\$ 40,541,923</u></b>	<b><u>\$ 88,331,685</u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2006 Total</u></b>	<u>2005 Total</u>
Balance, beginning of year	\$ 4,772,653	\$ 43,020,858	\$ 42,082,226	<b>\$ 89,875,737</b>	\$ 78,148,189
Settlement of trust	-	-	-	-	40,000,000
Disbursements to beneficiaries	-	(37,246,478)	(13,683,272)	<b>(50,929,750)</b>	(30,666,352)
Excess of receipts over expenditures	<u>(190,314)</u>	<u>948,521</u>	<u>1,261,569</u>	<b><u>2,019,776</u></b>	<u>2,393,900</u>
Balance, end of year	<b><u>\$ 4,582,339</u></b>	<b><u>\$ 6,722,901</u></b>	<b><u>\$ 29,660,523</u></b>	<b><u>\$ 40,965,763</u></b>	<b><u>\$ 89,875,737</u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

*DMO file*  
*200-20/BCFRT* *Joan*  
*David*



*FYI only*

**BC Forestry Revitalization Trust**

MINISTRY OF FORESTS, DMO  
**RECEIVED**  
DMRL# 107346  
JUL 17 2007  
*Add notes above: CLOSE*

DUE DATE: \_\_\_\_\_  
 DRAFT REPLY     REPLY DIRECT  
 FNA     FYI     FILE

July 11, 2007

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2007 Second Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2007 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2007

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee determined that the BCFRT likely required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of June 30, 2007, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,582,596
Contractor Mitigation Account	\$15,420,980
Forest Worker Mitigation Account	\$9,156,390
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$39,159,966</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$56,013,224
Forest Worker Mitigation	<u>\$37,960,052</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$93,973,276</b>

**Total available funds plus distributions** **\$133,133,242**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$417,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of June 30, 2007, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP will be subject to proportionate reduction. The Coastal FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. The Supreme Court declined to rule on the FRP, so a mediator will review that FRP, hopefully in the third quarter of 2007.

Also as of June 30, 2007, \$56,013,224 had been paid in contractor mitigation related to 236 affected contracts. Discussions are underway with many other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will be made during 2007. It appears approximately 321 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed all but one of the claims that had been made. The view of the Advisory Board is that only one contractor has been able to substantiate its claim that the formula or the cap used in the Contractor Mitigation Guidelines is not fair. The only exception was a heli-logging contract that had a per cubic metre rate substantially higher than the rate paid for conventional logging. That contractor was mitigated using a rate above the cap. The BC Ombudsman's office has reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume. The Advisory Board continues to accept the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp.

There have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. One remaining Coastal Contractor believes he should receive larger payouts than the formula and cap will allow. His claim will be considered at a future Advisory Board meeting.

As of June 30, 2007, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 12.7%, or \$8.1 million, above the originally projected amounts. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, partially because there will be some cost to the BCFRT related to stranded assets, and partially because redundant equipment payments are turning out to be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will likely be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor mitigation cost, \$20,000,000 was moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

## **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of June 30, 2007, the BCFRT had provided funding for the severance of 773 workers, for a total cost to the BCFRT of \$37,960,052. The average severance per employee to date is significantly higher than originally projected (\$49,107 as opposed to an estimate of \$39,828). The average is high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, a surplus of at least \$20,000,000 is expected in the Employee Mitigation Account to deal with employee severance according to the Guidelines. This has been moved to the Contractor Mitigation Account to cover the shortfall in that Account.

### **Looking Ahead**

The third quarter of 2007 will likely include the following activity:

1. The disputes involving the revised Teal Jones coastal FRP may be resolved, and compensation can start to be offered to the affected contractors and their employees.
2. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
3. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
4. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee



**BC Forestry Revitalization Trust**

*DMO file  
200-20/BCFRT*

January 15, 2007

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

*DK No reply req'd*

*Phone Eric*

*604 940 0850*

*cell 604 318 0259*

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2006 Fourth Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2006 Fourth Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

MINISTRY OF FORESTS, DMO	
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## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2006

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of December 31, 2006, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,623,274
Contractor Mitigation Account	\$6,721,119
Forest Worker Mitigation Account	\$29,642,619
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$50,987,012</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$44,405,047
Forest Worker Mitigation	<u>\$37,190,287</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$81,595,334</b>

**Total available funds plus distributions** **\$132,582,346**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$380,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of December 31, 2006, Forestry Revitalization Proposals (FRPs) have been presented for 99.9% of the reallocated volume in the Province. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of the licensee that did not submit a FRP will be subject to proportionate reduction. The FRP for Timberwest was withdrawn, so that will likely result in a proportionate reduction. The FRP submitted by Teal Jones was rejected by

its contractors, as was a revised FRP. The Supreme Court and a mediator are expected to review that FRP in the first quarter of 2007.

Also as of December 31, 2006, \$44,405,047 had been paid in contractor mitigation related to 186 affected contracts. Discussions are underway with many other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will be made during 2007. It appears over 310 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed some of the claims that had been made. To date, the view of the Advisory Board is that the contractors have not been able to substantiate their claims that the formula or the cap used in the Contractor Mitigation Guidelines is unfair. The BC Ombudsman's office reviewed the claim of the interior contractors and found it to be without merit. All of those contractors have now accepted mitigation as determined by the Contractor Mitigation Guidelines.

While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume. However, the Advisory Board has accepted the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp. In addition, there have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines. Several other Coastal Contractors believe they should receive larger payouts than the formula and cap will allow, and have developed presentations for consideration at the January 2007 Advisory Board meeting.

As of December 31, 2006, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 12.0%, or \$7.6 million, above the originally projected amounts. Redundant equipment payments are turning out to be higher than projected. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, and partially because there will likely be some cost to the BCFRT related to stranded assets. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra contractor costs will likely be balanced because it is now clear that employee severances will be lower than originally projected. In order to cover the higher than expected contractor Mitigation cost, \$20,000,000 will have to be moved from the Forest Worker Mitigation Account to the Contractor Mitigation Account.

## **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of December 31, 2006, the BCFRT had provided funding for the severance of 754 workers, for a total cost to the BCFRT of \$37,190,287. The average severance per employee to date is significantly higher than originally projected (\$49,324 as opposed to an estimate of \$39,828). The average is likely high because a disproportionate amount of the severed workers worked for licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, it appears there will be a surplus of approximately \$20,000,000 in the BCFRT to deal with employee mitigation according to the Guidelines. This should be moved to the Contractor Mitigation Account to cover the shortfall in that Account.

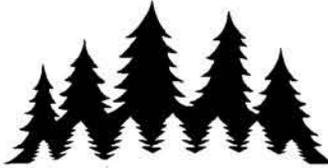
### **Looking Ahead**

The first quarter of 2007 will likely include the following activity:

1. Notification will be received on the few FRPs that will be implemented on coastal and interior licensees for which the BCFRT has not yet received documentation.
2. The disputes involving the revised Teal Jones coastal FRP may be resolved, and compensation can start to be offered to the affected contractors and their employees.
3. Contractor Mitigation payments will continue to be made to replaceable contractors who lost some or all of their contracts as a result of those FRPs.
4. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren, Trustee

DMO : 200-20/BCFRT  
file: TV



**BC Forestry Revitalization Trust**

October 9, 2006

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

*No response req'd*  
*Circle to ADM's for H's info.*  
*copy to each ADM*

MINISTRY OF FORESTS, DMO	
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Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2006 Third Quarter Report**

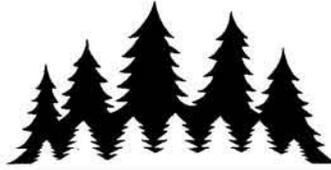
Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2006 Third Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

---

### Report of the Trustee as of September 30, 2006

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, are posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of September 30, 2006, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,649,228
Contractor Mitigation Account	\$22,900,822
Forest Worker Mitigation Account	\$30,414,066
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$67,964,116</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$28,069,665
Forest Worker Mitigation	<u>\$36,130,668</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$64,200,333</b>

**Total available funds plus distributions** **\$132,164,449**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$350,000. It is likely a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of September 30, 2006, Forestry Revitalization Proposals (FRPs) have been presented for 96.7% of the reallocated volume in the Interior, and 100% of the reallocated volume on the Coast. The last date for submitting a FRP was July 31, 2006, so the replaceable contracts of any licensees that did not submit a FRP will be subject to proportionate reduction. The FRP submitted by Teal Jones was rejected by its contractors, as was a revised FRP. A mediator is expected to review that FRP in the fourth quarter of 2006.

Also as of September 30, 2006, \$28,069,665 had been paid in contractor mitigation related to 142 affected contracts. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will likely be made throughout the balance of 2006. At present it appears over 300 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed some of the claims that had been made. To date, the view of the Advisory Board is that the contractors have not been able to substantiate their claims that the formula or the cap used in the Contractor Mitigation Guidelines is unfair.

While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume. The Advisory Board has accepted the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp. In addition, there have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines.

As of September 30, 2006, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 11.7%, or \$7.5 million, above the originally projected amounts. Redundant equipment payments are turning out to be higher than projected. This is partially because a higher than projected proportion of replaceable contractors appear to be leaving the industry, and partially because there will likely be some cost to the BCFRT related to stranded assets. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. These extra costs may be balanced because it appears employee severances may be lower than originally projected. If that happens, surplus funds from the Forest Worker Mitigation Account may be moved to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be

treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of September 30, 2006, the BCFRT had provided funding for the severance of 716 workers, for a total cost to the BCFRT of \$36,130,668. The average severance per employee to date is significantly higher than originally projected (\$50,462 as opposed to an estimate of \$39,828). The average is likely high because a disproportionate amount of the workers that have already been severed worked for the licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, it appears there will be sufficient funds in the BCFRT to deal with employee mitigation according to the Guidelines. Further, it appears there may be sufficient surplus, when added to the likely surplus in the Administration Account, to cover most of the likely shortfall in the Contractor Mitigation Account. The rest may have to be covered by drawing on some of the \$10,000,000 reserve.

↪ This is new wording!

### Looking Ahead

The fourth quarter of 2006 will likely include the following activity:

1. Notification will be received on the few FRPs that will be implemented on coastal and interior licensees for which the BCFRT has not yet received documentation.
2. The disputes involving the revised Teal Jones coastal FRP may be resolved, and compensation can start to be offered to the affected contractors and their employees.
3. Contractor Mitigation payments will continue to be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
4. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee



DMO file  
200-20/BCFRT

BC Forestry Revitalization Trust

Returned to DMO  
AUG 2 2006  
① Nelson - please  
assure me we have  
\$10 million somewhere?  
(see p 2) YES, accounted.  
D.K.  
② DM with  
response.  
③ Spoken to Doug  
directly on  
Aug 1 3PM  
No further  
actions  
required.

July 12, 2006

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

Re: The BC Forestry Revitalization Trust - 2006 Second Quarter Report

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2006 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

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## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2006

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of June 30, 2006, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,655,249
Contractor Mitigation Account	\$29,028,152
Forest Worker Mitigation Account	\$35,781,000
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$79,464,401</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$21,674,352
Forest Worker Mitigation	<u>\$30,397,566</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$52,071,918</b>

**Total available funds plus distributions** **\$131,536,319**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, most of the administration expenses of the BCFRT have been covered by the interest earned on the Administration Account balance, so the initial principal has been reduced by approximately \$345,000. It appears likely that a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of June 30, 2006, Forestry Revitalization Proposals (FRPs) have been presented for 89% of the reallocated volume in the Interior, and 98% of the reallocated volume on the Coast. Not all of those FRPs have been implemented, and the affected contractors have rejected one. The licensee involved has not yet indicated how it intends to proceed.

Also as of June 30, 2006, \$21,674,352 had been paid in contractor mitigation related to 96 affected contracts. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will likely be made throughout the balance of 2006. At present it appears over 270 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed the claims that had been made. To date, the view of the majority of the Advisory Board is that the contractors have not been able to substantiate their claims that the formula or the cap used in the Contractor Mitigation Guidelines is unfair.

While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume. However, the Advisory Board has accepted the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp. In addition, there have now been two cases where replaceable hauling contractors were able to demonstrate that in their area, recent arms length purchases and sales of hauling contracts had been at a rate slightly higher than what the mitigation formula generated. In those two cases, slightly higher compensation payments were made than would have been made based strictly on the formula. However, this increased payment was contemplated in the Contractor Mitigation Guidelines.

As of June 30, 2006, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 13.9%, or \$8.9 million, above the originally projected amounts. It appears redundant equipment payments may be higher than projected. Also, a higher than projected proportion of replaceable contractors appear to be leaving the industry, and there will likely be some cost to the BCFRT related to stranded assets. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. It is too early to tell if these events will become a strain on the available funds. Early indications are that employee severances may be lower than originally projected. If that happens, surplus funds from the Forest Worker Mitigation Account may be moved to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be

treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of June 30, 2006, the BCFRT had provided funding for the severance of 613 workers, for a total cost to the BCFRT of \$30,397,566. The average severance per employee to date is significantly higher than originally projected (\$50,056 as opposed to an estimate of \$39,828). However, the average is likely high because a disproportionate amount of the workers that have already been severed worked for the licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, it appears there will be sufficient funds in the BCFRT to deal with employee mitigation according to the Guidelines. Further, it appears there may be sufficient surplus, when added to the likely surplus in Administration Account, to cover most of the likely shortfall in the Contractor Mitigation Account. The rest will likely have to be covered by drawing on some of the \$10,000,000 reserve.

### **Looking Ahead**

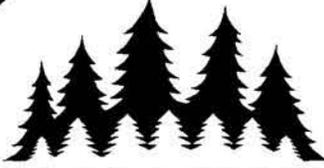
The third quarter of 2006 will likely include the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for the balance of the outstanding coastal and interior licensees, as the last date to submit an FRP is July 31, 2006.
2. The disputes involving the revised Teal Jones coastal FRP may be resolved, and compensation can start to be offered to the affected contractors and their employees.
3. Contractor Mitigation payments will continue to be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
4. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee

Pam - please  
log this before  
sending to file.  
Thanks!  
Janice

DMO file: 200-20/RCFRT



BC Forestry Revitalization Trust

~~Sub~~ FYI ✓

April 14, 2006

~~Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3~~ DK

MINISTRY OF FORESTS, DMO  
**RECEIVED**  
DMRL# 94663  
APR 20 2006  
DUE DATE: \_\_\_\_\_  
 DRAFT REPLY     REPLY DIRECT  
 FNA     FYI     FILE

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2006 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2006 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2006

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of March 31, 2006, the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,740,066
Contractor Mitigation Account	\$33,103,858
Forest Worker Mitigation Account	\$37,766,359
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$85,610,283</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$17,318,275
Forest Worker Mitigation	<u>\$28,088,309</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$45,406,584</b>

**Total available funds plus distributions** **\$131,016,867**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has been reduced by approximately \$260,000. While expenses may increase as the BCFRT becomes more active, it appears likely that a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of March 31, 2006, Forestry Revitalization Proposals (FRPs) have been presented for 72% of the reallocated volume in the Interior, and 97% of the reallocated volume on the Coast. Not all of those FRPs have been implemented, and at least one is being disputed by the affected contractors.

Also as of March 31, 2006, \$17,318,275 had been paid in contractor mitigation related to 63 affected contracts. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, many more contractor mitigation payments will likely be made throughout the balance of 2006. At present it appears over 250 contracts will be reduced or eliminated as a result of the Forestry Revitalization Act timber reallocation.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed the claims that had been made before the November Advisory Board meeting.

To date, the view of the majority of the Advisory Board is that the contractors have not been able to substantiate their claims that the formula or the cap used in the Contractor Mitigation Guidelines is unfair. While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume, and no breach of the cap on mitigation has been approved to date. However, the Advisory Board has accepted the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets. Discussions are underway with two contractors whose camps have been made redundant because of their loss of fibre appurtenant to the camp..

As of March 31, 2006, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 8% above the originally projected amounts. It appears redundant equipment payments may be higher than projected. Also, a higher than projected proportion of replaceable contractors appear to be leaving the industry, and there will likely be some cost to the BCFRT related to stranded assets. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. It is too early to tell if these events will become a strain on the available funds. Early indications are that employee severances may be lower than originally projected. If that happens, surplus funds from the Forest Worker Mitigation Account may be moved to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular day's pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of March 31, 2006, 555 workers have received severance funded by the BCFRT, for a total cost to the BCFRT of \$28,088,309. The average severance per employee to date is significantly higher than originally projected (\$50,174 as opposed to an estimate of \$39,828). However, the average is likely high because a disproportionate amount of the workers that have already been severed worked for the licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, for now it appears there will be sufficient funds in the BCFRT to deal with employee mitigation according to the Guidelines. Further, it appears there may be sufficient reserve to cover a possible shortfall in the Contractor Mitigation Account

### **Looking Ahead**

The second quarter of 2006 will likely include the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for most of the outstanding coastal and interior licensees.
2. The disputes involving the Cascadia Forestry Revitalization Proposals may be resolved, and compensation can start to be offered to the affected contractors and their employees.
3. Contractor Mitigation payments will continue to be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
4. Severance payments will continue to be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee



*tmo file*  
*200-20/BCFRT*

**BC Forestry Revitalization Trust**

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October 15, 2005

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2005 Third Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2005 Third Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

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## BC Forestry Revitalization Trust

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### Report of the Trustee as of September 30, 2005

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of September 30, 2005 the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,843,356
Contractor Mitigation Account	\$44,728,597
Forest Worker Mitigation Account	\$44,472,480
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total value of BCFRT accounts</b>	<b>\$104,044,433</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$5,087,748
Forest Worker Mitigation	<u>\$20,723,327</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$25,811,075</b>

**Total available funds plus distributions** **\$129,855,508**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has been reduced by less than \$160,000. While expenses will increase as the BCFRT becomes more active, it appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of September 30, 2005, Forestry Revitalization Proposals (FRPs) have been presented and in some cases implemented for some or all of the licenses of Abitibi Consolidated, Canadian Forest Products, Cascadia Forest Products, International Forest Products, Pope and Talbot, Northwest Specialty Wood Products, Tembec Industries, West Fraser, Western Forest Products, and Weyerhaeuser.

Also as of September 30, 2005, \$5,087,748 had been paid in contractor mitigation related to 22 affected contractors. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated by the above FRPs. Therefore, numerous contractor mitigation payments will likely be made throughout the fourth quarter of 2005.

One coastal contractor and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. To date, they have not been able to substantiate their claims by demonstrating that similar contracts have sold for more than the cap imposed by the Contractor Mitigation Guidelines.

Contractor compensation payments and applications to date appear to be close to the projected amounts with respect to loss of contract volume. However, it appears redundant equipment payments may be higher than projected. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on contract eliminations would have allowed. It is too early to tell if these events will become a strain on the available funds.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of September 30, 2005, 404 workers have received severance funded by the BCFRT, for a total cost to the BCFRT of \$20,723,327. The average severance per employee to date is significantly higher than originally projected (\$51,295 as opposed to an estimate of \$39,828). However, the average is likely high because a disproportionate amount of the workers that have already been severed worked for the licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, for now it appears there will be sufficient funds in the BCFRT to deal with employee mitigation according to the Guidelines.

## Looking Ahead

During the fourth quarter of 2005 I expect the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for more of the coastal and interior licensees.
2. Contractor Mitigation payments will be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
3. Severance payments will be made to forest workers for some of the above licensees, and some of their replaceable contractors.
4. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors and worker groups on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.
5. The Advisory Board will meet to discuss requests by replaceable contractors to breach the cap on how much they can be paid for loss of their replaceable volume.

Eric van Soeren  
Trustee

DMO file 200-20/BCFRT



BC Forestry Revitalization Trust

DK confirmed  
see language on bottom pg. 13 that account point of view?

① - Deh - see  
② - Lizzy - FYI

③ - File (Return to Andrea)

July 15, 2005

Doug Konkin, Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2005 Second Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2005 Second Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

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Julian rec'd a copy



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of June 30, 2005

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which is involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of June 30, 2005 the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,900,234
Contractor Mitigation Account	\$48,725,271
Forest Worker Mitigation Account	\$49,966,680
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total value of BCFRT accounts</b>	<b>\$113,592,185</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$767,969
Forest Worker Mitigation	<u>\$15,004,919</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$15,772,888</b>

**Total available funds plus distributions** **\$129,365,073**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has been reduced by less than \$100,000. While expenses will increase as the BCFRT becomes more active, it appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of June 30, 2005, Forestry Revitalization Proposals (FRPs) have been presented and in some cases implemented for some or all of the licenses of Abitibi Consolidated, Interfor, Pope and Talbot, Northwest Specialty Wood Products, Tembec Industries, West Fraser, Western Forest Products, Weyerhaeuser.

Also as of June 30, 2005, \$767,969 had been paid in contractor mitigation related to 3 affected contractors. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated by the above FRPs. Therefore, numerous contractor mitigation payments will likely be made throughout the third quarter of 2005.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers (previously IWA) contract mandates what employees that are affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

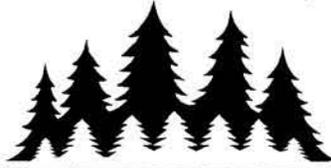
As of June 30, 2005, 297 workers have received severance funded by the BCFRT, for a total cost to the BCFRT of \$15,004,919.

### **Looking Ahead**

During the third quarter of 2005 I expect the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for many of the coastal and interior licensees.
2. Contractor Mitigation payments will be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
3. Severance payments will be made to forest workers for the above licensees, and some of their replaceable contractors.
4. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors and worker groups on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee



200-201BCFRT

**BC Forestry Revitalization Trust**

April 11, 2005

*DK*  
Doug Konkin, Deputy Minister of Forests  
Ministry of Forests  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2005 First Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2005 First Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.

*-Keep for Doug's review.*  
*ES*

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## BC Forestry Revitalization Trust

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### Report of the Trustee as of March 31, 2005

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which is involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of March 31, 2005 the market value of the BCFRT accounts was as follows:

### Account Balances

Administration Account	\$4,927,286
Contractor Mitigation Account	\$24,184,626
Forest Worker Mitigation Account	\$49,533,052
Total value of BCFRT accounts	\$78,644,964

### Distributions to Beneficiaries to date

Contractor Mitigation	Nil
Forest Worker Mitigation	Nil
Total Distributions to Beneficiaries	Nil

Total available funds plus distributions	\$78,242,987
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## Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has been reduced by less than \$75,000. While expenses will increase as the BCFRT becomes more active, it appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

## Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines.

As of March 31, 2005, no contractor mitigation amounts had been paid. However, the Forestry Revitalization Plan for Abitibi Consolidated Inc. has been implemented, and discussions are underway with several of the replaceable contractors whose contracts have been reduced or eliminated. Several other licensees have presented Forestry Revitalization Proposals to their contractors, and those proposals are likely to be implemented early in the

second quarter of 2005. The first contractor mitigation payments are therefore expected to be made early in the second quarter of 2005.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA restructuring will receive severance funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers (previously IWA) contract mandates what employees that are affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines.

As of March 31, 2005, no forest worker mitigation amounts had been paid. However, on April 4, 2005 the BCFRT authorized the payment of severance to 147 ex-employees of the Weyerhaeuser Canada Sproat Lake company crew.

### **Looking Ahead**

During the second quarter of 2005 I expect the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for Tembec Industries Inc., the Weyerhaeuser Canada Interior operations, the Weyerhaeuser Coastal TFL 44 fibre basket, and several other licensees that have not yet issued FRPs, but appear to be close.
2. Contractor Mitigation payments will be made to replaceable contractors who lose some or all of their contracts with the above licensees.
3. Severance payments will be made to forest workers for the above licensees, and some of their replaceable contractors.
4. The BCFRT Trustee will continue to meet with licensee and contractor industry associations, as well as with individual licensees and contractors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee

Feb 21/05

Dmo file 200-20/  
BCFRT

BC Forestry Revitalization Trust

Replaceable Contractor Mitigation Guidelines	Tab 1
Employee Mitigation Guidelines	Tab 2
Retiring within 2 years of Effective Severance Date	Tab 3
Trust Deed	Tab 4



200-20/BCFRT

**BC Forestry Revitalization Trust**

December 13, 2005

Doug Konkin  
Deputy Minister of Forests and Range  
Ministry of Forests and Range  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

*DK*

MINISTRY OF FORESTS, DMO	
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Dear Doug Konkin,

**Re: The BC Forestry Revitalization Trust – 2005 Fourth Quarter Report**

Enclosed for your information is a copy of The BC Forestry Revitalization Trust's 2005 Fourth Quarter Report.

Thank you for your continued support and involvement in the Trust to date. Please feel free to contact me if you would like to discuss anything in the report, or The BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.



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## BC Forestry Revitalization Trust

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### Report of the Trustee as of December 31, 2005

#### General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act (FRA).

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board developed draft Forest Worker Mitigation Guidelines and Contractor Mitigation Guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate from the Interior licensees. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which was involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimated that the BCFRT required approximately \$50,000,000 more than what was available in the BCFRT accounts, plus what the BCFRT was likely to earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to obtain sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of March 31, 2005, the province had agreed to the request for additional funds, and had received approval from the legislature to provide those funds to the BCFRT.

Based on the commitment from the province for the additional funds, the Contractor Mitigation Guidelines and the Forest Worker Mitigation Guidelines were finalized by the BCFRT Advisory Board. The Guidelines, as well as extensive supporting documentation, have been posted on the BCFRT website.

In early April 2005 the BCFRT received a \$40,000,000 cash injection. The outstanding \$10,000,000 in committed funds has not yet been advanced, and will be held by the province until the need for the additional funds is confirmed.

## Account Balances

As of December 31, 2005 the market value of the BCFRT accounts and distribution to beneficiaries was as follows:

### Account Balances

Administration Account	\$4,797,445
Contractor Mitigation Account	\$42,961,691
Forest Worker Mitigation Account	\$42,025,077
Funds held in reserve by Ministry of Forests and Range	<u>\$10,000,000</u>
<b>Total market value of BCFRT accounts</b>	<b>\$99,784,213</b>

### Distributions to Beneficiaries to date

Contractor Mitigation	\$6,922,676
Forest Worker Mitigation	<u>\$23,500,888</u>
<b>Total Distributions to Beneficiaries</b>	<b>\$30,423,564</b>

**Total available funds plus distributions** **\$130,207,777**

### Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been slightly more than the interest earned by the Administration Account, so the initial principal has been reduced by just over \$200,000. While expenses will increase as the BCFRT becomes more active, it appears likely that a significant portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is contained in the Contractor Mitigation Guidelines. These Guidelines are posted on the BCFRT website.

As of December 31, 2005, Forestry Revitalization Proposals (FRPs) have been presented for 56% of the reallocated volume in the Interior, and 97% of the reallocated volume on the Coast. Not all of those FRPs have been implemented, and at least one is being disputed by the affected contractors.

Also as of December 31, 2005, \$6,922,676 had been paid in contractor mitigation related to 30 affected contractors. Discussions are underway with numerous other replaceable contractors whose contracts have been or may be reduced or eliminated. Therefore, numerous contractor mitigation payments will likely be made throughout 2006.

Several coastal contractors and a group of interior contractors have suggested that the Contractor Mitigation Guidelines do not fairly compensate them for the value of their lost contracts. The Advisory Board has reviewed the claims that had been made before the November Advisory Board meeting.

To date, the view of the majority of the Advisory Board is that the contractors have not been able to substantiate their claims that the formula or the cap used in the Contractor Mitigation Guidelines is unfair. While the Trustee and the Advisory Board remain open to considering special cases, no change to the previously approved Contractor Mitigation Guidelines has been made with respect to calculating the value of lost contract volume, and no breach of the cap on mitigation has been approved to date. However, the Advisory Board has accepted the proposition that in some rare cases it may be necessary to compensate replaceable contractors for stranded assets.

As of December 31, 2005, contractor compensation payments, plus revised estimates based on applications to that date, appear to be approximately 7% above the originally projected amounts. It appears redundant equipment payments may be higher than projected. A higher than projected proportion of replaceable contractors appear to be leaving the industry, and there will likely be some cost to the BCFRT related to stranded assets. Also, two licensees were able to get Ministerial Exemptions to allow them to eliminate more replaceable contractors than the original cap on replaceable contract eliminations would have allowed. It is too early to tell if these events will become a strain on the available funds. Early indications are that employee severances may be lower than originally projected. If that happens, surplus funds from the Forest Worker Mitigation Account may be moved to the Contractor Mitigation Account.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed by a Licensee or Replaceable Contractor because of FRA restructuring will receive severance from their ex-employer, and that severance will be funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers' (previously IWA) contract mandates that employees affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, and can be found on the BCFRT website.

As of December 31, 2005, 462 workers have received severance funded by the BCFRT, for a total cost to the BCFRT of \$23,500,888. The average severance per employee to date is

significantly higher than originally projected (\$50,868 as opposed to an estimate of \$39,828). However, the average is likely high because a disproportionate amount of the workers that have already been severed worked for the licensees on the coast, and they tended to be crews with above average seniority. Also, to date it appears the total number of employees to be severed, especially in the interior, will be lower than projected. Therefore, for now it appears there will be sufficient funds in the BCFRT to deal with employee mitigation according to the Guidelines. Further, it appears there may be sufficient reserve to cover a possible shortfall in the Contractor Mitigation Account

### **Looking Ahead**

The first quarter of 2006 will likely include the following activity:

1. Forestry Revitalization Proposals (FRPs) will be implemented for more of the coastal and interior licensees.
2. The disputes involving two Forestry Revitalization Proposals will be resolved.
3. Contractor Mitigation payments will be made to replaceable contractors who lose some or all of their contracts as a result of those FRPs.
4. Severance payments will be made to forest workers for some of the above licensees, and some of their replaceable contractors.
5. The BCFRT Trustee will continue to meet with licensee and contractor industry associations and organized labour, as well as with individual licensees, contractors, worker groups and their advisors on an as needed basis, to ensure that the mitigation process progresses as smoothly, quickly and efficiently as possible.

Eric van Soeren  
Trustee

## Minister of Forests

### ORDER # 3(2) 23-5

(Order made under section 3 of the *Forestry Revitalization Act*, S.B.C. 2003, c.17, and section 33.2(2) of the Timber Harvesting Contract and Subcontract Regulation, B.C. Reg. 22/96)

I, the Honourable Michael de Jong, Minister of Forests, hereby order that

#### Definitions

1. In this Order,
  - a. "Act" means the *Forestry Revitalization Act*, and
  - b. words and phrases have the same meaning as in the Act.

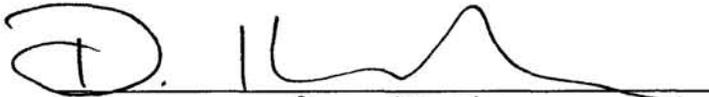
#### Forest licences, tree farm licences, and timber sale licences

2. For the purposes of section 3 (2) of the Act, the reduction in the allowable annual cut attributed to a forest licence, a tree farm licence, or a timber sale licence listed in Column 2 of the Schedule is as set out in Column 3 of that Schedule opposite that licence.
3. For the purposes of section 3 (5)(c) and section 3 (5.1) of the Act, the date the reduction in allowable annual cut attributed to the licence listed in Column 2 of the Schedule occurs, is December 31, 2005.

#### Replaceable Contracts

4. Under the authority of section 33.2 (2) of the Timber Harvesting Contract and Subcontract Regulation, the last date for making a forestry revitalization proposal in respect of the licences listed in Column 2 of Schedule is April 30, 2006.

This Order signed on the 6 day of January 2005, in Victoria, by:



Dep. Minister

The Honourable Michael de Jong, Minister of Forests

**SCHEDULE TO MINISTER'S ORDER # 3(2) 23-5**

<b>Column 1</b>  <b>Licensee</b>	<b>Column 2</b>  <b>Licence Number</b>	<b>Column 3</b>  <b>Reduction in Allowable Annual Cut (cubic metres)</b>
<b>TIMBERWEST GROUP</b>		
Licensee referred to in the Schedule to the Forestry Revitalization Act is TFL Forest Ltd. and the licensee at date of Order is Teal Jones Forest Ltd.	TFL 46	30 000

Status of Minister's Orders made under section 3(2) of the Forestry Revitalization Act

Item	Licenseses	Order Number	Status of Order	Date Issued	Revised Status of Order	Links to "new" Order	Comments	Status of Order	Management Unit	Licence	Allowable Annual Cut	Reduction in AAC	Column 4 Date of Reduction in AAC attributable to Licence
23	<b>TIMBERWEST GROUP</b>											<b>201,344</b>	
23	TFL Forest Ltd.	NA							Queen Charlotte TSA	A16870	15,931	0	N/A
23	TFL Forest Ltd.	NA							Strathcona TSA	A20913	25,376	0	N/A
23	TFL Forest Ltd.	NA							Strathcona TSA	A29159	38,363	0	N/A
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(2) 23-2	issued	21-Dec-04	amended	3(2) 23-4		amended		TFL46	446,378		Dec 31/04
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(2) 23-2	issued	21-Dec-04				issued		TFL46		20,030	Dec 31/05
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(2) 23-4	issued	30-Dec-04			amends # from 148,107 to 118,107 m3	issued		TFL46		118,107	Dec 31/04
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(2) 23-5	drafted				accounts for 30,000 m3 reduction to Order 3(2) 23-2. [further decision pending]	drafted		TFL46		30,000	31-Dec-05
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(4) 23-1	issued	21-Dec-04	repealed	3(4) 23-2				TFL46			
23	TFL Forest Ltd. is now Teal Jones Forest Ltd.	3(4) 23-2	issued	30-Dec-04			repeals Order 3(4) 23-1; deletion of area delayed pending 1st nations consultation	issued		TFL46			
23	TFL Forest Ltd.	3(2) 23-1	issued	21-Dec-04				issued		TFL47	641,740	33,207	Dec 31/04

*For information only.  
Not Part of Order.*

DMA file

200-20/BCFET

## Minister of Forests

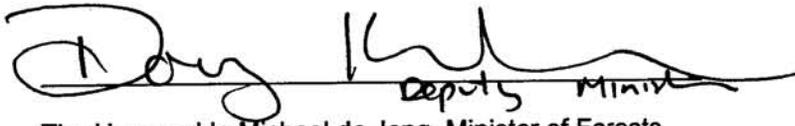
ORDER # 3(2) 15-2

(Order made under section 3 of the *Forestry Revitalization Act*, S.B.C. 2003, c.17)

I, the Honourable Michael de Jong, Minister of Forests, hereby order that

Minister of Forests Order # 3(2) 15-1 issued on the 21<sup>st</sup> day of December, 2004 is hereby repealed.

This Order signed on the 6 day of Jan . , 200~~4~~<sup>5</sup> <sup>DK</sup>, in Victoria, by:

A handwritten signature in black ink, appearing to read 'Michael de Jong', written over a horizontal line. Below the signature, the words 'deputy minister' are written in a smaller, less legible script.

The Honourable Michael de Jong, Minister of Forests



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**BC Forestry Revitalization Trust**

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January 17, 2005

*DK*  
Doug Konkin  
Deputy Minister of Forests  
Ministry of Forests  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
PO Box 9525, Stn Prov Govt  
Victoria, BC  
V8W 9C3

Dear Doug Konkin:

**Re: Request for additional funding for the BC Forestry Revitalization Trust (BCFRT)**

In March 2003 the province of British Columbia established the BCFRT and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 I was appointed as Trustee. Shortly after that I appointed an Advisory Board. That Board has developed draft worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, I polled the major licensees that were to lose some of their allowable annual cut. They were all asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. I received a 100% response rate from Coastal licensees, and a 90% response rate in the Interior. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which is involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, I arrived at an estimated cost of delivering the proposed guidelines. That estimate is what drives the request for an additional \$50,000,000.

You have informed me that cabinet is concerned that the request for an additional \$50,000,000 injection into the BCFRT may not be the last request for additional funds, and has requested assurance that the BCFRT will fulfill its mandate using no more than the additional funds, if provided.

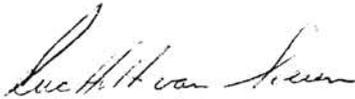
I believe that the estimates received were the best estimates of industry at the time they were given, and included all foreseeable reductions or cancellations of replaceable contracts, and

all foreseeable employee severances. Nothing has come to my attention to suggest that the extra \$50,000,000 will be insufficient. In fact, it now appears employee severance in the Interior may be less than projected by the licensees, because displaced contractors will redirect their efforts to harvesting beetle kill, and may therefore retain their crews.

As Forestry Revitalization Plans are finalized, and Funding Agreements begin to be developed with beneficiaries of the BCFRT, I will monitor any variances between projected and actual costs of mitigation. If any material discrepancy begins to develop that point to going over the new budget, I will convene an Advisory Board meeting to consider adjusting the mitigation guidelines so as to avoid going over budget.

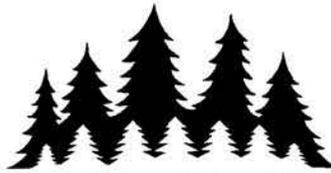
In a conference call on January 14, 2005 with a quorum of Advisory Board members, a motion was proposed, seconded and passed unanimously in which the BCFRT Advisory Board agreed to limit itself to working with the existing funds, plus the additional \$50,000,000. I am therefore confident that in the unlikely event that mitigation costs appear to be growing beyond the available funds, the guidelines will be changed by the Board to suit the remaining available funds.

Yours truly,

A handwritten signature in cursive script, appearing to read "Eric van Soeren".

Eric van Soeren  
Trustee

cc BCFRT Advisory Board



**BC Forestry Revitalization Trust**

March 1, 2005

Doug Konkin, Deputy Minister  
Ministry of Forests  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
P.O. Box 9525 Stn Prov Govt  
Victoria, BC V8W 9C3

*D.K.  
File*



Dear Doug,

**Re: The BC Forestry Revitalization Trust – 2004 Financial Statements**

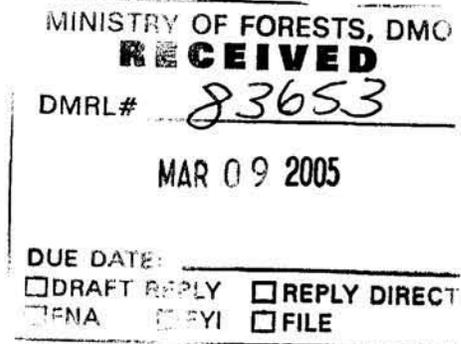
Enclosed for your information is a copy of the BC Forestry Revitalization Trust's Financial Statements as at December 31, 2004.

Please feel free to contact me if you would like to discuss anything in the report, or the BC Forestry Revitalization Trust in general.

Yours truly,

Eric van Soeren  
Trustee

encl.





**BC Forestry Revitalization Trust**

**2004 Annual Report**

**Trustee  
Eric van Soeren**

# **BC Forestry Revitalization Trust**

## **Report of the Trustee**

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. Advisory Board membership as of year-end was as follows:

Peter Affleck, Board Member representing the Council of Forest Industries  
Jim Girvan, Board Member representing the Truck Loggers Association  
Monty Mearnes, Board Member representing the United Steelworkers of America – IWA Council  
Tim Menning, Board Member representing the Interior Logging Association, the Central Interior Loggers Association and the North West Logging Association  
Julian Paine, Board Member representing the Ministry of Forests  
Darrel Wong, Board Member representing the United Steelworkers of America – IWA Council  
Berni Zimmerman, Board Member representing the Coast Forest and Lumber Association

The Advisory Board has developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate in the Interior. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which is involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimates that the BCFRT requires approximately \$50,000,000 more than what was available in the BCFRT accounts as of December 31, 2004, plus what the BCFRT is likely earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of December 31, 2004, the province was considering the request for additional funds. If the funds were not available, it would not be possible to deliver on the draft guidelines. Given the strongly held

views of the majority of the Advisory Board that anything less than the draft guidelines would not be equitable to displaced forest workers and replaceable contractors, this would be a serious blow to the BCFRT.

On the other hand, were the province to support the request for additional funds, the draft guidelines could immediately be finalized, and the BCFRT would be ready to start providing mitigation payments, based on those guidelines.

On January 21, 2005 the Premier made a public commitment to ask the BC Legislature to approve the required extra \$50,000,000. On February 22, 2005 the legislature approved the request. Therefore, the draft guidelines have been finalized, and the Trustee believes there are sufficient funds in the BCFRT to begin making Mitigation payments based on the Contractor and Worker Mitigation Guidelines.

### **Administration Account**

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been close to the interest earned by the Administration Account, so the initial principal is almost intact. While expenses will increase as the BCFRT becomes more active, it appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

### **Contractor Mitigation Account**

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) timber reallocation will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is in the Contractor Mitigation Guidelines, which can be found by following the links to Contractor Mitigation Guidelines on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com).

As of December 31, 2004, no contractor mitigation amounts had been paid. This is partially because the Contractor Mitigation Guidelines were still in draft form, as discussed above, and partially because no Forestry Revitalization Plans have been finalized to date.

### **Forest Worker Mitigation Account**

The principle being used for forest worker mitigation is that workers who are severed because of FRA timber reallocation will receive severance paid to them by their employer, but funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA timber reallocation be treated the same. Because the Steelworkers (previously IWA) contract mandates what employees that are affected by a permanent logging camp closure receive severance of 10 regular days pay per year of

service, plus 10/12<sup>ths</sup> of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the Forest Worker Mitigation Guidelines, which can be found by following the links to Forest Worker Mitigation Guidelines on the BCFRT website at [www.bcfirt.com](http://www.bcfirt.com).

As of December 31, 2004, no forest worker mitigation amounts had been paid. This is partially because the Forest Worker Mitigation Guidelines were still in draft form, as discussed above, and partially because no Forestry Revitalization Plans have been finalized to date.

### **Looking Ahead**

Subsequent to year-end, the Ministry of Forests issued the required Section 3 timber reallocation orders under the Forestry Revitalization Act (FRA) to the major licensees affected by the FRA. These identify the amount of volume to be lost by tenure, and the timing of that loss. Also subsequent to year-end, as discussed above, the provincial government agreed to provide the BCFRT with the required extra \$50,000,000. Therefore, Forestry Revitalization Plans are likely to be completed early in 2005, and worker and contractor Mitigation payments will commence, possibly as early as March 2005.

**THE BC FORESTRY REVITALIZATION TRUST**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2004**

**THE BC FORESTRY REVITALIZATION TRUST**  
**INDEX TO FINANCIAL STATEMENTS**

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Statement of Net Assets	Exhibit C
Statement of Receipts and Expenditures	Exhibit D
Notes to Financial Statements	Exhibit E
Schedule of Marketable Securities	Schedule 1
Schedule of Investments	Schedule 2
Schedule of Funds	Schedule 3

Exhibit A

To the Trustee  
**The BC Forestry Revitalization Trust**

**AUDITORS' REPORT**

We have audited the statement of financial position of The BC Forestry Revitalization Trust as at December 31, 2004, and the statements of receipts and expenditures and net assets for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and its receipts and expenditures for the year then ended in accordance with Canadian generally accepted accounting principles.

  
\_\_\_\_\_  
CHARTERED ACCOUNTANTS

Vancouver, B.C.  
February 14, 2005

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash - note 6	\$ 15,665	\$ 3,845
Marketable securities - at cost - Schedule 1	63,714,874	76,406,286
Interest receivable	<u>611,848</u>	<u>253,929</u>
	64,342,387	76,664,060
<b>INVESTMENTS, at cost - Schedule 2</b>	<u>13,840,567</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 78,182,954</u>	<u>\$ 76,664,060</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	<u>\$ 34,765</u>	<u>\$ 6,718</u>
<b>TOTAL LIABILITIES</b>	<u>34,765</u>	<u>6,718</u>
<b><u>FUND BALANCES</u></b>		
<b>NET ASSETS</b>		
Administration Fund - Schedule 3	4,945,448	5,000,000
Contractor Mitigation Fund - Schedule 3	24,026,423	48,112,786
Forest Worker Mitigation Fund - Schedule 3	<u>49,176,318</u>	<u>23,544,556</u>
<b>TOTAL NET ASSETS</b>	<u>78,148,189</u>	<u>76,657,342</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 78,182,954</u>	<u>\$ 76,664,060</u>

**APPROVED BY THE TRUSTEE**

 Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ 1,490,847</u>	<u>\$ 1,657,342</u>
<b>NON-OPERATING TRANSACTIONS</b>		
Settlement of Trust	-	75,000,000
Disbursements to beneficiaries	-	-
	<u>-</u>	<u>75,000,000</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>76,657,342</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 78,148,189</u>	<u>\$ 76,657,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2004 Total</u>	<u>2003 Total</u>
<b>INTEREST RECEIPTS - note 4(b)</b>	<u>\$ 163,798</u>	<u>\$ 481,867</u>	<u>\$ 1,063,532</u>	<u>\$ 1,709,197</u>	<u>\$ 1,700,386</u>
<b>EXPENDITURES - note 4(c)</b>					
Investment advisor fees	15,776	-	-	15,776	33,948
Administration fees	25,633	-	-	25,633	-
Advisory board meeting costs	3,676	-	-	3,676	-
Audit fees	7,800	-	-	7,800	6,280
Bank charges and interest	600	-	-	600	-
Consulting	4,911	-	-	4,911	-
GST expense	13,862	-	-	13,862	2,816
Legal fees	20,356	-	-	20,356	-
Office	536	-	-	536	-
Travel and entertainment	1,640	-	-	1,640	-
Trustee fees	<u>123,560</u>	<u>-</u>	<u>-</u>	<u>123,560</u>	<u>-</u>
	<u>218,350</u>	<u>-</u>	<u>-</u>	<u>218,350</u>	<u>43,044</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ (54,552)</u>	<u>\$ 481,867</u>	<u>\$ 1,063,532</u>	<u>\$ 1,490,847</u>	<u>\$ 1,657,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. PURPOSE OF THE TRUST**

The BC Forestry Revitalization Trust (the "Trust") was established by Deed of Trust dated March 17, 2003 (the "Trust Deed"). Pursuant to Bill 28-2003, the *Forestry Revitalization Act*, the Ministry of Forests of the Province of British Columbia made a payment of \$75,000,000 to settle the Trust (the "First Payment"). On February 22, 2005, the Government of the Province of British Columbia passed legislation to make an additional contribution of \$50,000,000 to the Trust (the "Second Payment"), to increase the funds available for distribution to \$125,000,000. The funds are to be used to mitigate adverse financial impacts suffered by certain workers and replaceable contractors as a result of restructuring of the forestry sector and harvesting operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.

**2. BENEFICIARIES OF THE TRUST**

The beneficiaries of the Trust are:

- (a) certain workers (unemployed forestry workers and retraining forestry workers as defined in subparagraph 2.02(2)(a) and (b) of the Trust Deed); and
- (b) certain contractors (as defined in subparagraph 2.02(2)(c) of the Trust Deed) who hold a replaceable contract or a replaceable subcontract within the meaning of the *Timber Harvesting Contract and Subcontract Regulation* of the *Forest Act*.

**3. DURATION OF THE TRUST**

Subject to a possible extension of up to two years the Trust will terminate on the earlier of:

- (a) March 31, 2008; and
- (b) any date on which there is no remaining Trust property.

**4. SIGNIFICANT ACCOUNTING POLICIES**

(a) Fund Accounting

The BC Forestry Revitalization Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the Trust Deed and are to be used only for the specified purposes. The Trust comprises the following funds:

(i) Administration Fund

In accordance with the Trust Deed, \$5 million of the First Payment was allocated to the Administration Fund to meet administration expenses for the duration of the Trust.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time from the Administration Fund to the other two funds to the extent that the transferred amounts are in excess of anticipated administrative expenses of the Trust. Any such transfers cannot be reversed.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

4. **SIGNIFICANT ACCOUNTING POLICIES, cont'd**

(ii) Contractor Mitigation Fund

In accordance with the Trust Deed, \$23 million of the First Payment was allocated to the Contractor Mitigation Fund.

This fund is to be used to provide mitigation to certain replaceable contractors for reductions in their contract volumes resulting from the reduction in the harvesting rights of certain licensees under the *Forestry Revitalization Act*;

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(iii) Forest Worker Mitigation Fund

In accordance with the Trust Deed, \$47 million of the First Payment was allocated to the Forest Worker Mitigation Fund.

This fund is to be used to provide mitigation to certain forestry workers who ceased to be employed by certain licensees or contractors as a result of reductions in the harvesting rights of certain licensees under the *Forestry Revitalization Act*.

Pursuant to recommendations by the Advisory Board, the Trustee may transfer funds from time to time between the Contractor Mitigation Fund and the Forest Worker Mitigation Fund.

(b) Revenue Recognition and Allocation

Investment income will be recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

All income earned in respect of funds held in a mitigation fund shall be income of that mitigation fund and form part of the capital of that fund.

All income earned in any fiscal year in respect of funds held in the Administration Fund (net of any applicable taxes) will first be used to pay administrative expenses for the fiscal year. The remainder, if any, shall be added to the other two funds on a pro-rata basis as defined in the Trust Deed.

(c) Expenditures Allocation

In accordance with the Trust Deed, all expenditures are to be paid out of the Administration Fund.

(d) Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**5. STATEMENT OF CASH FLOWS**

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

**6. CASH**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2004 Total</u>	<u>2003 Total</u>
Cash	\$ <u>3,986</u>	\$ <u>11,339</u>	\$ <u>340</u>	\$ <u>15,665</u>	\$ <u>3,845</u>

**7. INCOME TAXES**

On the basis of verbal discussions with officials of the Canada Revenue Agency (the "CRA"), the Trustee is of the opinion that the Trust is either a non-profit organization for income tax purposes or a public body performing a function of government. Under either definition, the Trust's income would not be subject to income taxes.

**8. GOODS AND SERVICES TAXES**

The Trustee has received advice from the CRA that the Trust will not be able to recover any Input Tax Credits.

**9. FAIR VALUE AND CREDIT RISK**

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The Trust does not have a significant concentration of credit risk.

**10. COMMITMENTS**

In accordance with the Trust deed, all funds must be disbursed to beneficiaries by March 31, 2008 in accordance with the purpose of the Trust and the guidelines prepared by the Trustee and approved by the Advisory Board. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

**11. SUBSEQUENT EVENT**

On February 22, 2005, the Government of the Province of British Columbia passed legislation to make an additional contribution of \$50,000,000 to the Trust (the "Second Payment") to increase funds available for distribution to \$125,000,000. The Second Payment was approved pursuant to a request by the Trustee and the Advisory Board.

**THE BC FORESTRY REVITALIZATION TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

11. **SUBSEQUENT EVENT, *cont'd***

During the prior year, the Trustee and Advisory Board developed draft Forest Worker Mitigation Guidelines and draft Contractor Mitigation Guidelines. Based on those draft guidelines the Trustee made preliminary calculations of the expected amounts required to make mitigation payments to eligible workers and replaceable contractors in accordance with the purpose of the Trust. These calculations were based on certain assumptions and on information and estimates provided by affected licensees and contractors.

There is a significant degree of uncertainty as to the number of potential beneficiaries of the Trust, and the total amount of mitigation for which they will be eligible based on the draft guidelines. In both the best and worst case scenarios, the estimates of amounts required to provide mitigation exceeded the funds available in the Trust prior to the Second Payment. The Trustee and the Advisory Board informed the Government of the Province of British Columbia of the requirement for additional funds to make the expected distributions to beneficiaries in accordance with the draft mitigation guidelines.

The Trustee and the Advisory Board are satisfied that the funds of \$125,000,000 available subsequent to the receipt of the Second Payment will permit the Trust to fulfill its expected obligations under the draft mitigation guidelines.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2004 Total</u>	<u>2003 Total</u>
Government of Canada Treasury Bill Face Value \$8,160,000 Due January 15, 2004	\$ -	\$ -	\$ -	\$ -	\$ 8,089,824
Government of Canada Treasury Bill Face Value \$10,097,000 Due February 12, 2004	-	-	-	-	10,000,170
Anglo American PLC Face Value \$7,500,000 Discount Note - Due February 2, 2004	-	-	-	-	7,441,800
Government of Canada Treasury Bill Face Value \$12,868,000 Due February 26, 2004	-	-	-	-	12,777,667
Province of Ontario Treasury Bill Face Value \$10,175,000 Due February 19, 2004	-	-	-	-	10,107,437
GE Funding Co. Face Value \$7,633,000 Discount Note - Due March 12, 2004	-	-	-	-	7,632,108
Bank of Nova Scotia Face Value \$10,235,000 Bankers Acceptance - Due March 23, 2004	-	-	-	-	10,168,063

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2004 Total</u></b>	<b><u>2003 Total</u></b>
<i>carried forward</i>	-	-	-	-	66,217,069
Government of Canada Treasury Bill Face Value \$10,250,000 Due March 25, 2004	-	-	-	-	10,189,217
Franchise Trust 2004-1 Discount Note Face Value \$65,000 Due January 5, 2005	64,691	-	-	<b>64,691</b>	-
CIBC BA Face Value \$270,000 Due March 1, 2005	268,311	-	-	<b>268,311</b>	-
RES Government of Canada Face Value \$2,000,000 Due June 1, 2005	1,951,316	-	-	<b>1,951,316</b>	-
Government of Canada Treasury Bill Face Value \$5,000,000 Due February 24, 2005	-	4,916,860	-	<b>4,916,860</b>	-
Government of Canada Treasury Bill Face Value \$3,057,000 Due March 10, 2005	-	3,022,575	-	<b>3,022,575</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b>2004 Total</b>	<b>2003 Total</b>
<i>carried forward</i>	2,284,318	7,939,435	-	<b>10,223,753</b>	76,406,286
Government of Canada Treasury Bill Face Value \$5,102,000 Due April 21, 2005	-	5,044,654	-	<b>5,044,654</b>	-
Government of Canada Treasury Bill Face Value \$641,000 Due July 14, 2005	-	631,868	-	<b>631,868</b>	-
Bons du Tresor du Quebec Treasury Bill Face Value \$1,000,000 Due January 21, 2005	-	991,294	-	<b>991,294</b>	-
CIBC BA Face Value \$5,000,000 Due May 18, 2005	-	4,881,360	-	<b>4,881,360</b>	-
Farm Credit Corporation Medium Term Note Face Value \$764,000 Due June 15, 2005	-	779,788	-	<b>779,788</b>	-
Citigroup Finance CDA Inc. MTN Face Value \$454,000 Due June 20, 2005	-	460,899	-	<b>460,899</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b><u>2004 Total</u></b>	<b><u>2003 Total</u></b>
<i>carried forward</i>	2,284,318	20,729,298	-	<b>23,013,616</b>	76,406,286
CIBC Deposit Note Face Value \$2,014,000 Due August 22, 2005	-	2,140,115	-	<b>2,140,115</b>	-
Government of Canada Treasury Bills Face Value \$3,500,000 Due February 24, 2005	-	-	3,444,493	<b>3,444,493</b>	-
Government of Canada Treasury Bills Face Value \$3,313,000 Due March 24, 2005	-	-	3,252,273	<b>3,252,273</b>	-
Government of Canada Treasury Bills Face Value \$2,589,000 Due April 21, 2005	-	-	2,559,232	<b>2,559,232</b>	-
Government of Canada Treasury Bills Face Value \$3,000,000 Due July 14, 2005	-	-	2,924,358	<b>2,924,358</b>	-
Government of Canada Treasury Bill Face Value \$1,810,000 Due September 8, 2005	-	-	1,761,934	<b>1,761,934</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b>2004 Total</b>	<b>2003 Total</b>
<i>carried forward</i>	2,284,318	22,869,413	13,942,290	<b>39,096,021</b>	76,406,286
Government of Canada Treasury Bills Face Value \$3,528,000 Due February 10, 2005	-	-	3,499,077	<b>3,499,077</b>	-
Government of Canada Treasury Bills Face Value \$1,722,000 Due October 6, 2005	-	-	1,678,223	<b>1,678,223</b>	-
Citigroup Finance CDA Inc. MTN Face Value \$1,770,000 Due January 11, 2005	-	-	1,788,912	<b>1,788,912</b>	-
CitGroup Funding Company Discount Note Face Value \$1,971,000 Due January 18, 2005	-	-	1,966,486	<b>1,966,486</b>	-
Alcan Inc. Discount Note Face Value \$1,303,000 Due January 31, 2005	-	-	1,300,055	<b>1,300,055</b>	-
CPN Government of Canada Face Value \$1,784,386 Due March 15, 2005	-	-	1,762,640	<b>1,762,640</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b>2004 <u>Total</u></b>	<b>2003 <u>Total</u></b>
<i>carried forward</i>	2,284,318	22,869,413	25,937,683	<b>51,091,414</b>	76,406,286
Farm Credit Corp Canada Mid Term Note Face Value \$1,100,000 Due May 15, 2005	-	-	1,104,914	<b>1,104,914</b>	-
RES Government of Canada Face Value \$2,100,000 Due June 1, 2005	-	-	2,048,955	<b>2,048,955</b>	-
CIBC Bankers Acceptance Face Value \$2,562,000 Due June 2, 2005	-	-	2,499,088	<b>2,499,088</b>	-
Farm Credit Canada Face Value \$1,395,000 Due August 15, 2005	-	-	1,418,130	<b>1,418,130</b>	-
RES Government of Canada Face Value \$1,605,000 Due September 1, 2005	-	-	1,557,834	<b>1,557,834</b>	-
RES Ontario Hydro Face Value \$1,728,000 Due November 3, 2005	-	-	1,679,861	<b>1,679,861</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b>2004 <u>Total</u></b>	2003 <u>Total</u>
<i>carried forward</i>	2,284,318	22,869,413	36,246,465	<b>61,400,196</b>	76,406,286
Province of British Columbia Mid Term Note Euro Face Value \$2,275,000 Due December 1, 2005	-	-	2,314,678	<b>2,314,678</b>	-
Reallocation	<u>(26,604)</u>	<u>55,073</u>	<u>(28,469)</u>	<u>-</u>	<u>-</u>
<b>MARKETABLE SECURITIES</b>	<u>\$ 2,257,714</u>	<u>\$ 22,924,486</u>	<u>\$ 38,532,674</u>	<b><u>\$ 63,714,874</u></b>	<u>\$ 76,406,286</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF INVESTMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<u>2004 Total</u>	<u>2003 Total</u>
CPN Province of Ontario Face Value \$2,800,000 Due June 2, 2006	\$ 2,637,323	\$ -	\$ -	\$ 2,637,323	\$ -
TD Bank MTN Fixed/FLTG Call 2005 Face Value \$953,000 Due April 14, 2010	-	974,584	-	974,584	-
CPN Province of Ontario Face Value \$5,437,000 Due June 2, 2006	-	-	5,114,455	5,114,455	-
RES Government of Canada Face Value \$5,546,000 Due December 1, 2006	-	-	5,114,205	5,114,205	-
<b>INVESTMENTS</b>	<u>\$ 2,637,323</u>	<u>\$ 974,584</u>	<u>\$ 10,228,660</u>	<u>\$ 13,840,567</u>	<u>\$ -</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE BC FORESTRY REVITALIZATION TRUST**  
**SCHEDULE OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Administration Fund</u>	<u>Contractor Mitigation Fund</u>	<u>Forest Worker Mitigation Fund</u>	<b>2004</b> <u>Total</u>	2003 <u>Total</u>
Balance, beginning of year	\$ 5,000,000	\$ 23,544,556	\$ 48,112,786	<b>\$ 76,657,342</b>	\$ -
Settlement of trust	-	-	-	-	75,000,000
Excess of receipts over expenditures	<u>(54,552)</u>	<u>481,867</u>	<u>1,063,532</u>	<u><b>1,490,847</b></u>	<u>1,657,342</u>
Balance, end of year	<u><b>\$ 4,945,448</b></u>	<u><b>\$ 24,026,423</b></u>	<u><b>\$ 49,176,318</b></u>	<u><b>\$ 78,148,189</b></u>	<u><b>\$ 76,657,342</b></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

200-20/BCFRT  
Jan 14/2002

**The Forestry Revitalization Trust  
Meeting with Minister Michael de Jong  
11:45 am Friday November 12, 2004  
740 - 999 Canada Place, Vancouver  
Agenda**

1. Current allocation of Trust Funds:
  - a. Total now at \$77,700,000
2. Advisory Board had now been completed and had four meetings. Consists of:
  - a. Peter Affleck Interior licensees
  - b. Jim Girvan TLA
  - c. Monty Mearnes Steelworkers
  - d. Tim Menning Interior contractors
  - e. Julian Paine MoF
  - f. Darrel Wong Steelworkers
  - g. Berni Zimmerman Coastal licensees

The BCFRT Advisory Board has approved Employee and Contractor Mitigation Guidelines, subject to the BCFRT being able to source the additional funds.
3. Presentation and discussion of Contractor Mitigation Guidelines.
  - a. Concept is fair market value
4. Presentation and discussion of Worker Mitigation Guidelines.
  - a. Concept is severance.
5. Presentation and discussion of results of survey of all affected licensees.
  - a. Estimated Contractor Impact
  - b. Estimated Worker Impact
  - c. Summary Sheet
6. Additional requirements for the BCFRT.
7. Presentation and discussion of the legal opinion from Blair Dwyer.
8. Discussion of how to deal with shortfall
  - a. Could come from \$200 MM industry compensation (Embracing a new vision)
  - b. Could come from FIA
  - c. Could come from temporary stumpage surcharge

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to the loss  
of some or all of replaceable contracts as a direct result of  
Forestry Revitalization Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to Contractors affected by the *Forestry Revitalization Act* (FRA) timber reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider the potential of providing redress for certain claims of Contractors with replaceable contracts that are directly impacted by the FRA. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on logging Contractors.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the BCFRT Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

**1. Application:**

These guidelines are intended to apply to all Contractors who hold or held a replaceable contract as defined in the Timber Harvesting Contract and Subcontract Regulation and who lose some or all of their replaceable contractual rights as a result of timber reallocations resulting from the FRA.

The BCFRT will accept claims for redress received from negatively impacted contractors until March 31, 2008, as those impacts are confirmed through the timber reallocation process. Only replaceable contracts will be considered for mitigation. The BCFRT will not accept applications for mitigation related to non-replaceable contracts.

The following outlines the process:

- Step 1. Licensees directly affected by the *FRA* must use Part 5.1 of the Timber Harvesting Contract and Subcontract Regulation to define what contractors will be affected by the taking of timber harvesting rights and the extent to which those contractors will be affected. The process is clearly explained in a document prepared by Davis & Company which is available by following the links on the BCFRT website at [www.bcftt.com](http://www.bcftt.com).
- Step 2. The Trustee of the BCFRT will address the Contractor's claim for mitigation in accordance with these guidelines and in consultation with the Contractor and the Licensee.

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

- Step 3. The Contractor must respond promptly to requests for information from the BCFRT, must allow representatives of the BCFRT reasonable access to sites and equipment which the Contractor claims have been impacted by the FRA, and must allow BCFRT representatives access to (and the right to review and audit) records and source documents maintained by the Contractor to the extent that those documents pertain to the facts surrounding the claim of impact submitted by the Contractor.
- Step 4. The Contractor must provide detailed information relating to employees, if any, that must be severed as a result of the FRA timber reallocation.
- Step 5. The Contractor must disclose any replaceable sub-contracts that he has that are related to the impacted replaceable contract.
- Step 6. The Licensee must confirm the contract information and the reasonableness of Contractor claims of injury or loss. In addition the Licensee must obtain a release from the Contractor regarding the Licensee's obligations to the replaceable Contractor. A sample form of release is attached to these Guidelines.

**2. Definitions:**

- 2.1 **Average Contract Rate** means the amount calculated by dividing the total contract billings by the total production volume for the Baseline Period, expressed as dollars per standard output unit of measure for that contract.
- 2.2 **Baseline Period** means the portion of the calendar year prior to the Date of Impact, plus the previous two full calendar years.
- 2.3 **Contractor** means a replaceable contractor as defined in the Timber Harvesting Contract and Subcontract Regulation.
- 2.4 **Contribution to Profit** means that portion of the Average Contract Rate assumed to remain after the Contractor pays all direct costs associated with the delivery of a standard unit of work under the contract. For the purposes of these Guidelines, the Contribution to Profit is:
- 2.4.1 10% for a replaceable full phase contract, and
- 2.4.2 7% for a replaceable single phase falling, bucking, skidding, yarding, grading, road building, hauling or booming contract.
- 2.5 **Date of Impact** means the date on which the Contractor was materially affected by a volume reallocation resulting from the FRA.
- 2.6 **Economic Multiple** means the multiple of the annual net cash flow available from the contract used by business evaluators to estimate the economic value of a contract. The

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

Economic Multiple is adjusted to reflect perceived business risk. The following Economic Multiples will apply in the calculation of the Impact Payment:

- 2.6.1 With respect to a replaceable full phase contract, 4 years, and
- 2.6.2 With respect to a replaceable single phase contract, 3 years.
- 2.7 **Eligible Impact** means the amount a contract has been reduced, expressed in the units used in the contract, such as cubic metres of wood harvested or handled, or kilometers of road built or maintained.
- 2.8 **Aggregate Impact Payment** means the aggregate of all Impact Payments made by the BCFRT in respect of a single Contractor.
- 2.9 **Impact Payment** means the amount which the BCFRT agrees to pay to a Contractor after applying these Guidelines to the Contractor with respect to the direct impact caused by the FRA on each of the following:
  - 2.9.1 Replaceable full phase contracts,
  - 2.9.2 Replaceable single phase contracts,
  - 2.9.3 Mitigation associated with the disposal of redundant equipment.
- 2.10 **Impacted Volume** means:
  - 2.10.1 With respect to a timber harvesting contract, the reduction in the Nominal Work Volume available under the contract, as notified in writing by the licensee, expressed in cubic meters.
  - 2.10.2 With respect to a road construction contract, the reduction in Nominal Work Volume, expressed in kilometers.
  - 2.10.3 With respect to work performed under an hourly contract, the reduction in Nominal Work Volume expressed in hours of work. This reduction must be reasonably proportional to the AAC reduction experienced by the licensee for whom the work is done, either directly or indirectly.
- 2.11 **Nominal Work Volume** means the work volume available under a contract immediately prior to the Date of Impact.

### 3. Key Principles:

- 3.1 An Impact Payment is made in the discretion of the Trustee and is not a right set out in legislation. Each Impact Payment will be confirmed in a separate Mitigation Agreement between the Contractor and the BCFRT. The Mitigation Agreement will contain

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

clauses that limit the Contractor's right to commence any other proceedings or pursue any other legal remedies that may exist as a result of the FRA timber reallocation.

- 3.2 The BCFRT will consider making an Impact Payment in respect of the direct impact of the FRA on each of the following:
  - 3.2.1 Replaceable full phase timber harvesting contracts,
  - 3.2.2 Replaceable single phase timber harvesting contracts, including contracts for the construction and/or maintenance of logging roads, and
  - 3.2.3 Redundant equipment that is disposed of in an arms length transaction.
- 3.3 The BCFRT will not make any Impact Payment under this Framework with respect to indirect or consequential impacts of the FRA timber reallocation.
- 3.4 As a general principle, the date of valuation for all impacts will be the Date of Impact.
- 3.5 An Impact Payment is separate from any "adjustment assistance" available under other provincial or federal/provincial arrangements and no Impact Payment is available for any claims that have been dealt with under those arrangements. In addition, no adjustment assistance is payable under those arrangements for claims in respect of which an Impact Payment was made under this Framework.
- 3.6 The BCFRT will not make any Impact Payment with respect to any impact that the BCFRT reasonably considers to be a normal business risk of the Contractor.
  - 3.6.1 No Impact Payment will be paid with respect to chattel and immovable assets employed in the delivery of a non-replaceable timber harvesting contract.
- 3.7 An Impact Payment is available only with respect to demonstrated impacts directly attributable to the FRA timber reallocation. In order to pursue the process outlined in these Guidelines, a Contractor must confirm and provide, in a form satisfactory to the BCFRT, written details of the extent to which the FRA timber reallocation was the direct cause of a reduction in a replaceable contract. In most cases, this will require production of at least a copy of the accepted Forestry Revitalization Proposal and may require the production of other relevant documents.
- 3.8 Where subcontractors are used that hold replaceable contracts as defined in the Timber Harvesting Contract and Subcontract Regulation, the Contractor will be responsible for identifying each subcontractor, and allocating among all subcontractors their appropriate share of the proposed Impact Payment. No Impact Payments will be made to the lead Contractor until agreement is made on payments to all replaceable subcontractors.
- 3.9 The Contractor and sub-contractor must identify which of their employees should receive severance, and must confirm this list with the BCFRT and, if appropriate, the

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

employee's union. Severance payments will not be subtracted from the Impact Payment. Severance payments are to be made by the employer. The employer may claim mitigation in respect of severance payments under the separate procedure set out in the Employee Mitigation Guidelines.

- 3.10 As described in the Employee Mitigation Guidelines, if employers pay severance to employees and receive mitigation for that severance from the BCFRT, neither they nor any affiliated company can rehire those employees for 6 months in the same or similar capacity and wage unless there is a material change in circumstances, such as access to significantly more fibre subsequent to the severance, or because another employee quits, dies or retires subsequent to the severance being paid, and that employee needs to be replaced. If the employer does rehire a severed employee, and the above conditions do not apply, the employer who paid the severance will be required to reimburse the BCFRT for the entire severance paid to the employee with BCFRT funds.
- 3.11 Contractors and subcontractors may receive mitigation payments even though they find alternate work and therefore do not have to sever any employees.

#### **4. Impact Assessment:**

##### General:

- 4.1 Each Impact Payment is subject to a test of market and economic reasonableness applied by the BCFRT. This test takes various factors into account, including "reasonable expectations" in the ordinary course of business, actual contract terms, Forest Act provisions, and normal business risks. Subject to the application of that test of market and economic reasonableness, however, Contractor mitigation will be calculated as shown in the following section.

##### Impacts on Work Volumes:

- 4.2 The Impact Payment respecting impacts on work volumes will be calculated as:

- The Impacted Volume, multiplied by
- The Average Contract Rate, multiplied by
- The Contribution to Profit, multiplied by
- The Economic Multiple.

- 4.2.1 The Impact Payment payable and the calculations set out in Article 4.2 are subject to the following maximum caps:

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

- 4.2.1.1 With respect to full phase timber harvesting contracts on the Coast, as defined by the Ministry of Forests, \$16.00 per cubic meter of Eligible Impact.
- 4.2.1.2 With respect to full phase timber harvesting contracts in the Interior, as defined by the Ministry of Forests, \$10.00 per cubic meter of Eligible Impact.
- 4.2.1.3 With respect to single phase falling and bucking contracts, \$1.50 per cubic meter of Eligible Impact.
- 4.2.1.4 With respect to single-phase road building contracts, \$30,000 per kilometer of Eligible Impact.

Redundant Assets – General:

- 4.3 The onus is on the Contractor to demonstrate to the BCFRT's satisfaction that an asset is redundant, and that the redundancy was caused directly by work volume reductions resulting from the FRA Timber Reallocation.

Impacts on Chattel Assets:

- 4.4 The BCFRT will not provide mitigation for moveable redundant equipment that is retained by the Contractor.
- 4.5 When a Contractor can demonstrate the equipment was made redundant because of work reduction caused by the FRA, and the Contractor sells that equipment and does not replace it with similar equipment, the BCFRT will provide mitigation to the contractor equal to 25% of the gross selling price of the redundant equipment to an arms length purchaser.
  - 4.5.1 In order to receive mitigation for redundant equipment as described above, the equipment must be sold within 6 months of the later of the Date of Impact or the signing of the Mitigation Agreement between the Contractor and the Trustee. In the event that market conditions are such that equipment cannot be sold within 6 months, an extension of no more than 6 months may be granted if it can be demonstrated that the equipment is actively for sale and is not in use in other operations. This could be substantiated by having the equipment on display in a used equipment lot, or scheduled for sale at an auction.

Impacts on Immovable Assets:

- 4.6 The BCFRT will not provide mitigation for immoveable redundant assets that belong to the Contractor.

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

**5. Aggregate Impact Payment**

- 5.1 Where the BCFRT and the Contractor agree on an Impact Payment with respect to any discrete claim of impact, the BCFRT may document and pay out such claim.
- 5.2 Subject to Article 3.5, the early payment of an Impact Payment may be made without limiting the Contractor's ability to continue with negotiations with respect to other claimed impacts. (For example, the BCFRT may pay out an agreed settlement with respect to a replaceable contract or sub-contract, while claims for other replaceable contracts with the same Contractor or redundant assets remain under negotiation.)
- 5.3 The Contractor may request that the BCFRT process an interim payment respecting the Aggregate Impact Payment.
  - 5.3.1 In cases of financial distress, the Contractor may request an interim payment at any time after the provision of information required under Article 1.
  - 5.3.2 The request for an interim payment must include a statement from the Contractor confirming the Contractor has applied commercial diligence in the presentation of all information to the BCFRT, and believes the information provided represents a complete and accurate representation of the facts surrounding the impact of the FRA timber reallocation on the Contractor.
  - 5.3.3 An interim payment will be treated as an advance. As Impact Payments are confirmed they will be applied first toward repayment of the interim payment.
    - 5.3.3.1 Once Impact Payments at least equal to the interim payment have been confirmed, all future Impact Payments, or portions of Impact Payments, will be paid to the Contractor.
    - 5.3.3.2 Should the actual Aggregate Impact Payment due the Contractor be less than the interim payment received by the Contractor, an overpayment situation shall exist and the Contractor will be liable for the repayment of any such overpayment.
    - 5.3.3.3 The Contractor will be required to undertake to repay any overpayment within 10 business days of notice from the BCFRT that such an overpayment exists. Should the overpayment not be repaid by the Contractor within 10 days of notice, the amount owing will bear interest from the tenth day at the rate prescribed in the *Court Order Interest Act*.
6. In the event that a replaceable contractor can demonstrate a serious inequity resulting from the application of these guidelines, the Trustee may consider his arguments and suggest to the BCFRT Advisory Board that a modified payment be made.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to  
severance of employees as a direct result of Forestry Revitalization  
Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to workers affected by the *Forestry Revitalization Act* Timber Reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider, among other things, the potential of providing mitigation for certain claims of forest workers employed by licensees or contractors with replaceable contracts that are directly impacted by the *Forestry Revitalization Act*. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on forest workers.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

The intention of these guidelines is to enable each of the major licensees and replaceable contractors that have to sever staff as a result of timber reallocation pursuant to the BC *Forestry Revitalization Act* (FRA) to determine the amount of mitigation payments that may be covered by the BCFRT.

Once the Ministry of Forests and the major licensees affected by the FRA have agreed upon the areas to be relinquished by the major licensees, the major licensees will go through a process with their contractors to determine which contractors and or company crews will be affected by the timber reallocation. It will then be up to the licensees and contractors to determine which, if any, of their employees will need to be severed as a result of the decrease in available work. Licensees and contractors will need to be guided by existing contractual obligations when deciding which, if any, employees will be severed.

The employer, either the licensee or the contractor as appropriate, will be responsible to conclude any negotiations regarding employee severance with their employees and/or the employees' union. No contract buy-out payments will be made to contractors until any of the contractor's employees that will be severed have been identified. However, the BCFRT will not fund any severance payments unless and until the employee is actually severed. Further, the severance has to be as a direct result of the loss of access to fibre caused by the 20% take-back mandated by the *Forestry Revitalization Act*.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

The following guidelines will apply to employee severance mitigated by the BCFRT:

**Note:** In the context of these guidelines, an **affiliate** is any corporation or business entity controlling, controlled by or under common control with the contractor or licensee. The **effective date of severance** is the date the employer ceased to use the services of the severed employee as a direct result of the *Forestry Revitalization Act* timber reallocation. A potentially eligible **employee** is a forestry worker as defined in the BCFRT Trust Deed. A copy of the Trust Deed can be viewed at [www.bcftr.com](http://www.bcftr.com).

1. The number of employees severed by either a replaceable contractor or a major licensee should be consistent with industry averages as determined by PricewaterhouseCoopers in its studies of the BC Forest Sector. This suggests that in the logging and forestry sector, including hourly, contract, and salaried employees, the Trustee would expect a maximum of approximately 0.5 employee positions lost per thousand cubic metres of lost logging opportunity on the Coast, and 0.3 employee positions lost per thousand cubic metres of lost logging opportunity in the interior.
2. In most cases the number of severed employees will be less than the maximums noted above because there is no overall allowable annual cut (AAC) reduction, and the affected contractors may find replacement contracts. In the case of company crews, the licensee will be expected to try to find alternate employment for displaced forestry workers within other company operations. Where a contractor has more than one operation, the contractor will be expected to try to find alternate employment for displaced forestry workers within affiliated operations.
3. Mitigation payments will be determined as follows:
  - a. On the Coast and in the Interior, 10 days of regular day's pay for each full year of continuous service, plus 10/12 of a regular day's pay for each additional completed month of continuous service, with continuous service ending on the effective date of severance.
  - b. A regular day's pay for the purposes of severance should be calculated using the method used on the Coast to determine payment made to the employee on the Statutory Holiday closest to the time of severance.
  - c. In the case of employees that are approaching retirement age, either as defined by their contract or as a result of company policy, the BCFRT will mitigate the lesser of severance as calculated above, or an amount equal to the amount the employee would have earned if they continued to be employed from the effective date of severance to their retirement. In the absence of evidence to the contrary, it will be assumed that the employee would retire on their 65<sup>th</sup> birthday.
    - i. The annual amount the employee would have expected to earn between the effective date of severance and their retirement will be assumed to be the average of their gross wages as reported on their T-4 slips for 2001 and 2002, plus the net value of the lost pension benefits caused by the loss of employment. This amount will then be prorated over the number of days

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

between the effective date of severance and the date they would have retired if they had not been severed.

- ii. The calculation in 3. (c) (i) will only be performed if:
  1. The severance is not caused by a permanent closure of the operation; and
  2. The employee in question is within 2 years of retirement. In the absence of evidence to the contrary, it will be assumed that the employee is within 2 years of retirement on their 63<sup>rd</sup> birthday.
  
4. In order for the BCFRT to mitigate severance payments, workers receiving severance must have been employed full time by a major licensee or contractor in the harvesting side of the forest industry in British Columbia on March 31, 2003, or been on temporary lay-off, but worked full time for a portion of the previous year, and still have been on the seniority list on March 31, 2003. Employers seeking mitigation will have to demonstrate to the satisfaction of the Trustee an ongoing, long-term attachment to the employee being severed. The Trustee will consider increasing the recognized years of service in special cases where an employee has a longer-term attachment to the industry than to the current employer but, because of the closure or downsizing of other operation(s), lost their previous job(s), and did not receive severance pay for that job loss. In either case, the employee must lose or have already lost their jobs as a result of the *Forestry Revitalization Act* timber reallocation.
  
5. Severance that cannot be directly linked to *Forestry Revitalization Act* timber reallocation will not be mitigated by the BCFRT.
  
6. There need not be a permanent closure of the entire operation for the BCFRT to mitigate severance payments.
  
7. If employees obtain re-employment with their previous employer at an alternate location, or with an affiliate of their previous employer, within 6 months of the effective date of severance from their previous position, and continue to work in a similar capacity, severance would not be mitigated by the BCFRT. However, mitigation may be available in respect of workers who are moved by their employer to an alternate location or to an affiliate and work at a significantly lower wage. The amount of the mitigation will be based on the actual loss to the worker as a result of the *Forestry Revitalization Act* timber reallocation. It will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.
  
8. Mitigation payments may be available for workers who are moved by their employer to an alternate location or to an affiliate as a result of the *Forestry Revitalization Act* timber reallocation within 6 months of the effective date of severance from their previous position, and subsequently lose their jobs as a result of their lower seniority through no fault of their own, within three years of the date of transfer. Except in extenuating circumstances, mitigation in respect of transferred employees will be reduced by 3% per month of employment that the transferred worker receives after the date of transfer.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

Actual mitigation will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.

9. In order for the BCFRT to mitigate any specific severance payment, the employer must actually sever the employee in question. The severed employee cannot be rehired by the same employer or an affiliate to work in the same or similar capacity, at the same or similar wage, within 6 months of the effective date of severance, unless there is a material change in circumstance for the employer. Such a material change could be a contractor receiving access to significantly more fibre, or the contractor or licensee needing to replace someone who died, quit or retired subsequent to the worker in question receiving severance.
10. If the BCFRT mitigates a severance payment in respect of an employee who is re-employed by the contractor or licensee or an affiliate within six months from the effective date of severance, the contractor or licensee will be required to refund the full mitigation payment to the BCFRT, unless there is a material change in circumstances for the employer, as set out in Section 9. This restriction is required to discourage the payment of severance for what may be a normal seasonal lay-off.
11. In the case of a reduction of an operation, severance need not be offered only to the employees with the lowest seniority. Rather, the company, the employees and/or the union can negotiate to determine which employees will receive severance payments.
12. If the result of these negotiations is that more senior employees receive severance payments, and those payments are higher than if junior employees had been severed, the higher severance payments will still be eligible for mitigation in accordance with paragraph 3 based on years of service of the employees who are actually severed.
13. Senior employees that could have relied on their seniority to retain their jobs, but chose to receive voluntary severance so that more junior employees can retain their jobs, will be expected to give up their preferential hiring rights and sign a release in the form attached to these guidelines. Junior employees that had no choice about whether or not they would be severed will still have to sign a release, but will not have to give up any preferential hiring rights they may have.
14. Owner operators that receive contract buy-out payments will not be eligible for severance payments as well. However, if an owner operator has worked exclusively for one employer for a number of years, and if an appropriately calculated severance payment would provide better mitigation than a contract buy-out, then the contractor may choose to receive severance instead of a contract buy-out.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

Sample Employee release form:

**Employer letterhead**

Date: \_\_\_\_\_

I, \_\_\_\_\_, hereby accept the (voluntary) severance pay offered to me and in exchange (voluntarily) terminate my employment with \_\_\_\_\_ (the company) effective \_\_\_\_\_ (*the effective date of severance, which is the date the employer ceased to use the services of the severed employee as a direct result of the Forestry Revitalization Act timber reallocation.*). I further acknowledge that I am accepting this (voluntary) payment in full and final satisfaction of any claims, statutory or otherwise, that may arise out of my employment and the termination of employment after the signing of this agreement.

I acknowledge that I cannot be re-employed by the company or an affiliate of the company in the same or similar capacity and at the same or similar compensation for a period of 6 months from the effective date of severance unless either:

1. I return 100% of the severance payment to the company, so that the company can return the severance payment to the BC Forestry Revitalization Trust; or
2. There is a material change in circumstance for the company. Such a material change could be the company receiving access to significantly more fibre, or the company needing to replace someone who died, quit or retired subsequent to my receipt of this severance pay.

*Plus the following sentence if this is a voluntary severance. A voluntary severance is one in which the employee being severed could have relied on his or her seniority to retain their job, but chose to receive severance and allow a more junior person to retain their job.*

I acknowledge that by accepting this payment I relinquish any rights I may have for preferential hiring by the company.

Signed: \_\_\_\_\_  
 Employee signature

*Note: Severance will be considered to be voluntary if accepted by an employee that could have relied on their seniority to remain employed in the case of a partial reduction of an operation, but chose instead to receive severance in order to allow a person with less seniority to retain their job.*

Moving Estimate of BCFRT Costs

Summary Sheet

Following is my current best estimate of Mitigation costs based on the Guidelines approved by the BCFRT Advisory Board. The estimates are based on information gathered from a variety of sources, including:

Experience with the Coast Sustainability Trust  
Estimates provided by most of the affected licensees

PricewaterhouseCoopers Forest Industry reports  
Discussions with BCFRT Advisory Board members

Contractor mitigation:			Expected Costs
Interior		\$30,676,221	
Coast harvesting	\$27,138,947		
Coast road building	\$4,000,000		
Coast Subtotal		\$31,138,947	
Equipment selling costs		\$2,000,000	
Total contractor mitigation			<b>\$63,815,169</b>

Notes:

The concept of a \$16/m3 cap was accepted on the Coast, and a \$10/m3 cap in the Interior appears to be acceptable based on information gathered about actual third party sales. The Coast road building number assumes 10,000m3 harvested per km of road built by replaceable contractors. There is resistance to no payments for redundant equipment, but it is defensible given the fact there is no actual AAC reduction, and the current high level of activity in the industry suggests redundant equipment could be sold at a reasonable price.

Worker Mitigation:

	Licensee estimates	
Interior	\$24,702,570	
Coast	\$45,873,337	
Total Worker Mitigation	\$70,375,907	<b>\$70,375,907</b>

Notes:

Licensee estimates of seniority were used in the interior, but IWA averages were used on the Coast as they were thought to more likely to be accurate. The average IWA active worker in Local 2171 (mostly logging) was 13.8 years. A separate survey of 7 coastal contractors representing 112 workers that will be displaced had an average of 13.7 years seniority. On the other hand, experience with the Coast Sustainability Trust had average seniority of 7.7 years, and a survey of 20 Interior contractors suggests an average of only 6.5 years seniority. Ongoing work is being done to improve the reliability of these estimates, but the numbers are not expected to change much until the actual Forestry Revitalization Proposals are developed.

Administration:

The BCFRT actually calls for administration to cost \$5,000,000. However, if we can use the model suggested above, the total of trustee, administration, legal, audit, independent contractors, and Advisory Board expenses should be able to be kept to this amount. \$2,000,000

**Total** **\$136,191,076**

Notes:

The main potential weaknesses with the above estimate are:  
 The estimate for seniority may be low, which would increase costs - low probability. Based on experience with the Coast Sustainability Trust it is more likely that seniority estimates are high, so costs may come down.  
 The number of employees to be severed may be wrong. With the current state of the industry, this is most likely to reduce costs, because severance numbers are more likely to go down than up. However, if there is a downturn before the 20% take back runs through the system, severance could go up - biggest unknown.

Moving Estimate of BCFRT Mitigation Costs

Estimated Contractor Impact

Interior						
Licensee	# of lost m3 allocated to replaceable contracts	Average stump to mill contract cost	# of lost m3 allocated to non replaceable contracts	# of lost m3 allocated to company crews	# of lost m3 that are not currently allocated	Total # of lost m3
Abilibi Consolidated Inc.						
Ainsworth Lumber Co. Ltd.					29,634	29,634
Apollo Forest Products	2,930	\$22.27	1,258			4,186
BHFP, Now Timber Baron FP	16,508	\$53.00	6,420			22,928
Canfor Corporation	607,407	\$24.50	583,034			1,190,441
Carrier Lumber	6,629	\$23.85	8,828			13,257
Dunkley Lumber Ltd.					2,297	2,297
Federated Co-operatives	14,952	\$29.88	15,700			30,652
Gorman Bros. Lumber Ltd.	5,624	\$27.00	1,406			7,030
Lakeland Mills Ltd.	12,457	\$24.20				12,457
Lignum Ltd.	46,972	\$28.00				46,972
LP Engineered Wood Products	56,338	\$25.00			17,339	73,678
New Skeena						
Pope & Talbot Ltd.	104,220	\$28.93	86,379	8,700		199,299
Riverside Forest Products	193,982	\$27.57	190,000			383,982
Siocan Forest Products	521,318	\$24.50	292,298			813,614
Stuart Lake Lumber Co. Ltd.			495			495
Teal Cedar Products Ltd.	37,982	\$30.00			10,096	48,078
Tembec Industries Inc.	93,000	\$24.00	96,310			189,310
The Pas Lumber Company	38,193	\$20.50	38,193			76,385
Toiko Industries Ltd.	123,300	\$26.00	123,295			246,595
Weldwood of Canada Limited	278,720	\$29.32	138,682			417,402
West Fraser Timber Co. Ltd.	522,500	\$33.77	335,434			857,934
Weyerhaeuser Canada	123,530	\$28.12	98,470			222,000
Adjusted Weighted Av \$/m3 (see note)		\$24.69			check sum	4,888,626
Total reported to date	2,806,561		2,014,000	8,700	59,366	4,888,626
Total take back						5,409,363
Percent reported to date	57.4%		41.2%	0.2%	1.2%	90.4%
Contractor Mitigation (buyout only)					\$30,876,221	
Coast						
Canfor Corporation	231,130		58,707	75,734		365,571 No contractor costs yet
Western Forest Products	484,320	\$43.07		192,577	8,319	685,216
Husby Forest Products	6,109	\$28.05				6,109
Interior	348,010	\$62.99		231,028		579,038
Teal Cedar Products	57,180	\$40.00		110,957		168,137
TimberWest Group	10,000	\$30.22	20,000		3,207	33,207
Weyerhaeuser Canada	584,200	\$50.00		303,800	110,694	978,594
Adjusted Weighted Av \$/m3 (see note)		\$39.89			check sum	2,815,972
Total reported to date	1,700,948		78,707	914,096	122,220	2,815,972
Total take back						2,815,972
Percent reported to date	60.4%		2.8%	32.5%	4.3%	100.0%
Contractor Mitigation (buyout only) assuming only replaceable, and using CST formula					\$27,138,947	
<b>Total estimated contractor mitigation cost</b>						<b>\$57,815,169</b>

Notes:

Contractor Mitigation (buyout only) is available only to replaceable contractors, and is based on the Contractor Mitigation Guidelines. Calculation of cost is based on caps of \$16/m3 on the coast, \$10/m3 in the interior, \$30,000/km for roads, and \$1.50 /m3 for felling. The adjusted weighted average incorporates the cap, so the maximum cost included is \$43 on the coast and \$25 in the interior

Moving Estimate of BCFRT Mitigation Costs

Estimated Worker Impact

Interior Licensee	Number of Contractor employees expected to be severed	Average Seniority of contractor employees expected to be severed	Number of Company employees expected to be severed	Average Seniority of company employees expected to be severed	Total number of employees expected to be severed
Abitibi Consolidated Inc.					o/s
Ainsworth Lumber Co. Ltd.	0		0		0
Apollo Forest Products	0		0		0
BHFP Now Timber Baron FP	0	0.0	0	0.0	0 BHFP said 10, but no work in 4 yrs
Canfor Corporation	76	10.0	75	o/s	151 o/s company seniority
Carrier Lumber	0		0		0
Dunkley Lumber Ltd.	0		0		0
Federated Co-operatives	7	10.0	1		8
Gorman Bros. Lumber Ltd.	0		0		0
Lakeland Mills Ltd.	0		0		0
Lignum (Now Riverside FP Marketing Ltd.)	6	20.0	2	15.0	8
LP Engineered Wood Products	0		0		0
New Skeena	0		0		no response, but assume zero
Pope & Talbot Ltd.	17	11.2	14	14.4	31
Riverside Forest Products	50	15.0	17	15.0	67
Slocan Forest Products	65	10.0	15	o/s	80 o/s company seniority
Stuart Lake Lumber Co. Ltd.	0		0		0
Teal Cedar Products Ltd.	6	10.0			6
Tembec Industries Inc.	11	10.0	10	20.0	21
The Pas Lumber Company	6	12.5	2	12.5	8
Tolko Industries Ltd.	28	12.0	12	12.0	40
Weldwood of Canada Limited					0 No severance estimates yet
West Fraser Timber Co. Ltd.	112	12.5	20	5.2	132
Weyerhaeuser Canada	23	18.8	10	18.0	33

Reported workers to be severed	407		178		585
Weighted Average seniority		12.2		13.3	12.4
Extrapolated workers to be severed assuming reported severance is same as unreported					664
Average number of cubic metres of lost AAC per interior severed employee				6,152	

Coast

Canfor Corporation					0 No severance estimates yet
Western Forest Products	185	4.0	79	4.0	244
Husby Forest Products	2	4.0	2	4.0	4
Interfor	135	11.5	97	11.6	232
Teal Cedar Products	28	17.9	50	23.5	78
TimberWest Group	0		2	12.0	2
Weyerhaeuser Canada	230	20.0	170	25.0	400

Reported workers to be severed	560		400		960
Weighted Average seniority		13.3		17.4	15.0
Note: Average IWA local 2171 seniority is 13.8 years. This is likely more accurate and will be used					13.8
Extrapolated workers to be severed assuming reported severance is same as unreported					1,103
Average number of cubic metres of lost AAC per coast severed employee				2,553	

Total workers in BC expected to be severed 1,787

Weighted average seniority for all BC workers: 14.1  
 Adjusted average seniority for all BC workers: 13.3  
 Using 10 days pay for each year of service and the following average daily wages: 250 300 350

Projected Severance Interior	\$20,585,475	\$24,702,570	\$28,819,665
Projected Severance Coast	\$41,488,387	\$45,673,337	\$58,083,742
<b>Total projected severance</b>	<b>\$62,073,862</b>	<b>\$70,375,907</b>	<b>\$86,903,407</b>
Severance per employee	\$35,134	\$39,833	\$49,187

Note: The above numbers are likely too high. There will likely be fewer contractor employee severances because alternate work will be found. Also, the seniority numbers are likely too high. The Coast Sustainability Trust only paid an average of \$16,120 per employee. Even going from 7 to 10 days should only boost that average to about \$23,000.

Most likely total is based on \$300/ day for both the Coast and the Interior, or \$70,375,907

**Major possible cost change scenarios**

Following are a variety of possible ways in which the total mitigation costs may end up being more or less than projected by the major Licensees.

Scenario	Description	Cost Reduction	Cost Increase
1	Licensee estimate of employee severance on the Coast (1103 people) is too high. If that number is dropped to 800, the savings would be:	\$12,553,337	
2	Licensee estimate of employee severance in the Interior (664 people) is too high by approximately 50%. If that number is dropped to 350, the savings would be:	\$11,673,218	
3	Seniority is as experienced by the Coast Sustainability Trust (7.7 years, but highly unlikely based on discussions with numerous companies and associations)	\$40,812,887	
4	Seniority is as estimated by the Licensees on the Coast instead of being the same as the Steelworkers Local 1-2171 average.		\$4,112,727
5	Seniority ends up averaging 10 years instead of the currently projected 14.1 years	\$17,372,158	

Pages 246 through 251 redacted for the following reasons:

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200-20/12/05



# MINISTRY OF FORESTS

*Deputy Minister's Office*  
PO Box 9525 STN PROV GOVT  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
Victoria, British Columbia  
Tel: (250) 356-5012  
Fax: (250) 953-3687



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**For:**        **Name:**                    Doug Konkin  
                  **Office:**                        C/o DM to the Premier's Office  
                  **Telephone:**                    6-2206  
                  **Facsimile:**                     6-7258

**From:**

- Doug Konkin----- Deputy Minister ph. 356-5012
- Maureen Yelovatz----- Manager, Executive Operations & Planning ph. 356-5766
- Andrea de Lestard----- Senior Executive Secretary ph. 356-5012
- Janice Alexander----- Supervisor, Administrative Services ph. 387-2277
- Pam Rutley----- Receptionist ph. 387-4809

**Date:**        January 14, 2005        **Page 1 of:**        24        **Operator:**

**Subject:**

**Special Instructions:**

*Doug, as requested. Apologies it took so long. Andrea*

**The Forestry Revitalization Trust**  
**Meeting with Minister Michael de Jong**  
**11:45 am Friday November 12, 2004**  
**740 – 999 Canada Place, Vancouver**  
**Agenda**

1. Current allocation of Trust Funds:
  - a. Total now at \$77,700,000
2. Advisory Board had now been completed and had four meetings. Consists of:
  - a. Peter Affleck Interior licensees
  - b. Jim Girvan TLA
  - c. Monty Mearnes Steelworkers
  - d. Tim Menning Interior contractors
  - e. Julian Paine MoF
  - f. Darrel Wong Steelworkers
  - g. Berni Zimmerman Coastal licensees

The BCFRT Advisory Board has approved Employee and Contractor Mitigation Guidelines, subject to the BCFRT being able to source the additional funds.
3. Presentation and discussion of Contractor Mitigation Guidelines.
  - a. Concept is fair market value
4. Presentation and discussion of Worker Mitigation Guidelines.
  - a. Concept is severance.
5. Presentation and discussion of results of survey of all affected licensees.
  - a. Estimated Contractor Impact
  - b. Estimated Worker Impact
  - c. Summary Sheet
6. Additional requirements for the BCFRT.
7. Presentation and discussion of the legal opinion from Blair Dwyer.
8. Discussion of how to deal with shortfall
  - a. Could come from \$200 MM industry compensation (Embracing a new vision)
  - b. Could come from FIA
  - c. Could come from temporary stumpage surcharge

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to the loss  
of some or all of replaceable contracts as a direct result of  
Forestry Revitalization Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to Contractors affected by the *Forestry Revitalization Act* (FRA) timber reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider the potential of providing redress for certain claims of Contractors with replaceable contracts that are directly impacted by the FRA. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on logging Contractors.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the BCFRT Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

**1. Application:**

These guidelines are intended to apply to all Contractors who hold or held a replaceable contract as defined in the Timber Harvesting Contract and Subcontract Regulation and who lose some or all of their replaceable contractual rights as a result of timber reallocations resulting from the FRA.

The BCFRT will accept claims for redress received from negatively impacted contractors until March 31, 2008, as those impacts are confirmed through the timber reallocation process. Only replaceable contracts will be considered for mitigation. The BCFRT will not accept applications for mitigation related to non-replaceable contracts.

The following outlines the process:

- Step 1. Licensees directly affected by the *FRA* must use Part 5.1 of the Timber Harvesting Contract and Subcontract Regulation to define what contractors will be affected by the taking of timber harvesting rights and the extent to which those contractors will be affected. The process is clearly explained in a document prepared by Davis & Company which is available by following the links on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).
- Step 2. The Trustee of the BCFRT will address the Contractor's claim for mitigation in accordance with these guidelines and in consultation with the Contractor and the Licensee.

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- Step 3. The Contractor must respond promptly to requests for information from the BCFRT, must allow representatives of the BCFRT reasonable access to sites and equipment which the Contractor claims have been impacted by the FRA, and must allow BCFRT representatives access to (and the right to review and audit) records and source documents maintained by the Contractor to the extent that those documents pertain to the facts surrounding the claim of impact submitted by the Contractor.
- Step 4. The Contractor must provide detailed information relating to employees, if any, that must be severed as a result of the FRA timber reallocation.
- Step 5. The Contractor must disclose any replaceable sub-contracts that he has that are related to the impacted replaceable contract.
- Step 6. The Licensee must confirm the contract information and the reasonableness of Contractor claims of injury or loss. In addition the Licensee must obtain a release from the Contractor regarding the Licensee's obligations to the replaceable Contractor. A sample form of release is attached to these Guidelines.

**2. Definitions:**

- 2.1 **Average Contract Rate** means the amount calculated by dividing the total contract billings by the total production volume for the Baseline Period, expressed as dollars per standard output unit of measure for that contract.
- 2.2 **Baseline Period** means the portion of the calendar year prior to the Date of Impact, plus the previous two full calendar years.
- 2.3 **Contractor** means a replaceable contractor as defined in the Timber Harvesting Contract and Subcontract Regulation.
- 2.4 **Contribution to Profit** means that portion of the Average Contract Rate assumed to remain after the Contractor pays all direct costs associated with the delivery of a standard unit of work under the contract. For the purposes of these Guidelines, the Contribution to Profit is:
- 2.4.1 10% for a replaceable full phase contract, and
- 2.4.2 7% for a replaceable single phase falling, bucking, skidding, yarding, grading, road building, hauling or booming contract.
- 2.5 **Date of Impact** means the date on which the Contractor was materially affected by a volume reallocation resulting from the FRA.
- 2.6 **Economic Multiple** means the multiple of the annual net cash flow available from the contract used by business evaluators to estimate the economic value of a contract. The

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Economic Multiple is adjusted to reflect perceived business risk. The following Economic Multiples will apply in the calculation of the Impact Payment:

- 2.6.1 With respect to a replaceable full phase contract, 4 years, and
- 2.6.2 With respect to a replaceable single phase contract, 3 years.
- 2.7 **Eligible Impact** means the amount a contract has been reduced, expressed in the units used in the contract, such as cubic metres of wood harvested or handled, or kilometers of road built or maintained.
- 2.8 **Aggregate Impact Payment** means the aggregate of all Impact Payments made by the BCFRT in respect of a single Contractor.
- 2.9 **Impact Payment** means the amount which the BCFRT agrees to pay to a Contractor after applying these Guidelines to the Contractor with respect to the direct impact caused by the FRA on each of the following:
  - 2.9.1 Replaceable full phase contracts,
  - 2.9.2 Replaceable single phase contracts,
  - 2.9.3 Mitigation associated with the disposal of redundant equipment.
- 2.10 **Impacted Volume** means:
  - 2.10.1 With respect to a timber harvesting contract, the reduction in the Nominal Work Volume available under the contract, as notified in writing by the licensee, expressed in cubic meters.
  - 2.10.2 With respect to a road construction contract, the reduction in Nominal Work Volume, expressed in kilometers.
  - 2.10.3 With respect to work performed under an hourly contract, the reduction in Nominal Work Volume expressed in hours of work. This reduction must be reasonably proportional to the AAC reduction experienced by the licensee for whom the work is done, either directly or indirectly.
- 2.11 **Nominal Work Volume** means the work volume available under a contract immediately prior to the Date of Impact.

### 3. Key Principles:

- 3.1 An Impact Payment is made in the discretion of the Trustee and is not a right set out in legislation. Each Impact Payment will be confirmed in a separate Mitigation Agreement between the Contractor and the BCFRT. The Mitigation Agreement will contain

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clauses that limit the Contractor's right to commence any other proceedings or pursue any other legal remedies that may exist as a result of the FRA timber reallocation.

- 3.2 The BCFRT will consider making an Impact Payment in respect of the direct impact of the FRA on each of the following:
  - 3.2.1 Replaceable full phase timber harvesting contracts,
  - 3.2.2 Replaceable single phase timber harvesting contracts, including contracts for the construction and/or maintenance of logging roads, and
  - 3.2.3 Redundant equipment that is disposed of in an arms length transaction.
- 3.3 The BCFRT will not make any Impact Payment under this Framework with respect to indirect or consequential impacts of the FRA timber reallocation.
- 3.4 As a general principle, the date of valuation for all impacts will be the Date of Impact.
- 3.5 An Impact Payment is separate from any "adjustment assistance" available under other provincial or federal/provincial arrangements and no Impact Payment is available for any claims that have been dealt with under those arrangements. In addition, no adjustment assistance is payable under those arrangements for claims in respect of which an Impact Payment was made under this Framework.
- 3.6 The BCFRT will not make any Impact Payment with respect to any impact that the BCFRT reasonably considers to be a normal business risk of the Contractor.
  - 3.6.1 No Impact Payment will be paid with respect to chattel and immovable assets employed in the delivery of a non-replaceable timber harvesting contract.
- 3.7 An Impact Payment is available only with respect to demonstrated impacts directly attributable to the FRA timber reallocation. In order to pursue the process outlined in these Guidelines, a Contractor must confirm and provide, in a form satisfactory to the BCFRT, written details of the extent to which the FRA timber reallocation was the direct cause of a reduction in a replaceable contract. In most cases, this will require production of at least a copy of the accepted Forestry Revitalization Proposal and may require the production of other relevant documents.
- 3.8 Where subcontractors are used that hold replaceable contracts as defined in the Timber Harvesting Contract and Subcontract Regulation, the Contractor will be responsible for identifying each subcontractor, and allocating among all subcontractors their appropriate share of the proposed Impact Payment. No Impact Payments will be made to the lead Contractor until agreement is made on payments to all replaceable subcontractors.
- 3.9 The Contractor and sub-contractor must identify which of their employees should receive severance, and must confirm this list with the BCFRT and, if appropriate, the

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employee's union. Severance payments will not be subtracted from the Impact Payment. Severance payments are to be made by the employer. The employer may claim mitigation in respect of severance payments under the separate procedure set out in the Employee Mitigation Guidelines.

- 3.10 As described in the Employee Mitigation Guidelines, if employers pay severance to employees and receive mitigation for that severance from the BCFRT, neither they nor any affiliated company can rehire those employees for 6 months in the same or similar capacity and wage unless there is a material change in circumstances, such as access to significantly more fibre subsequent to the severance, or because another employee quits, dies or retires subsequent to the severance being paid, and that employee needs to be replaced. If the employer does rehire a severed employee, and the above conditions do not apply, the employer who paid the severance will be required to reimburse the BCFRT for the entire severance paid to the employee with BCFRT funds.
- 3.11 Contractors and subcontractors may receive mitigation payments even though they find alternate work and therefore do not have to sever any employees.

#### **4. Impact Assessment:**

General:

- 4.1 Each Impact Payment is subject to a test of market and economic reasonableness applied by the BCFRT. This test takes various factors into account, including "reasonable expectations" in the ordinary course of business, actual contract terms, Forest Act provisions, and normal business risks. Subject to the application of that test of market and economic reasonableness, however, Contractor mitigation will be calculated as shown in the following section.

Impacts on Work Volumes:

- 4.2 The Impact Payment respecting impacts on work volumes will be calculated as:

- The Impacted Volume, multiplied by
- The Average Contract Rate, multiplied by
- The Contribution to Profit, multiplied by
- The Economic Multiple.

- 4.2.1 The Impact Payment payable and the calculations set out in Article 4.2 are subject to the following maximum caps:

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- 4.2.1.1 With respect to full phase timber harvesting contracts on the Coast, as defined by the Ministry of Forests, \$16.00 per cubic meter of Eligible Impact.
- 4.2.1.2 With respect to full phase timber harvesting contracts in the Interior, as defined by the Ministry of Forests, \$10.00 per cubic meter of Eligible Impact.
- 4.2.1.3 With respect to single phase falling and bucking contracts, \$1.50 per cubic meter of Eligible Impact.
- 4.2.1.4 With respect to single-phase road building contracts, \$30,000 per kilometer of Eligible Impact.

Redundant Assets – General:

- 4.3 The onus is on the Contractor to demonstrate to the BCFRT's satisfaction that an asset is redundant, and that the redundancy was caused directly by work volume reductions resulting from the FRA Timber Reallocation.

Impacts on Chattel Assets:

- 4.4 The BCFRT will not provide mitigation for moveable redundant equipment that is retained by the Contractor.
- 4.5 When a Contractor can demonstrate the equipment was made redundant because of work reduction caused by the FRA, and the Contractor sells that equipment and does not replace it with similar equipment, the BCFRT will provide mitigation to the contractor equal to 25% of the gross selling price of the redundant equipment to an arms length purchaser.
  - 4.5.1 In order to receive mitigation for redundant equipment as described above, the equipment must be sold within 6 months of the later of the Date of Impact or the signing of the Mitigation Agreement between the Contractor and the Trustee. In the event that market conditions are such that equipment cannot be sold within 6 months, an extension of no more than 6 months may be granted if it can be demonstrated that the equipment is actively for sale and is not in use in other operations. This could be substantiated by having the equipment on display in a used equipment lot, or scheduled for sale at an auction.

Impacts on Immovable Assets:

- 4.6 The BCFRT will not provide mitigation for immovable redundant assets that belong to the Contractor.

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**5. Aggregate Impact Payment**

- 5.1 Where the BCFRT and the Contractor agree on an Impact Payment with respect to any discrete claim of impact, the BCFRT may document and pay out such claim.
- 5.2 Subject to Article 3.5, the early payment of an Impact Payment may be made without limiting the Contractor's ability to continue with negotiations with respect to other claimed impacts. (For example, the BCFRT may pay out an agreed settlement with respect to a replaceable contract or sub-contract, while claims for other replaceable contracts with the same Contractor or redundant assets remain under negotiation.)
- 5.3 The Contractor may request that the BCFRT process an interim payment respecting the Aggregate Impact Payment.
  - 5.3.1 In cases of financial distress, the Contractor may request an interim payment at any time after the provision of information required under Article 1.
  - 5.3.2 The request for an interim payment must include a statement from the Contractor confirming the Contractor has applied commercial diligence in the presentation of all information to the BCFRT, and believes the information provided represents a complete and accurate representation of the facts surrounding the impact of the FRA timber reallocation on the Contractor.
  - 5.3.3 An interim payment will be treated as an advance. As Impact Payments are confirmed they will be applied first toward repayment of the interim payment.
    - 5.3.3.1 Once Impact Payments at least equal to the interim payment have been confirmed, all future Impact Payments, or portions of Impact Payments, will be paid to the Contractor.
    - 5.3.3.2 Should the actual Aggregate Impact Payment due the Contractor be less than the interim payment received by the Contractor, an overpayment situation shall exist and the Contractor will be liable for the repayment of any such overpayment.
    - 5.3.3.3 The Contractor will be required to undertake to repay any overpayment within 10 business days of notice from the BCFRT that such an overpayment exists. Should the overpayment not be repaid by the Contractor within 10 days of notice, the amount owing will bear interest from the tenth day at the rate prescribed in the *Court Order Interest Act*.

- 6. In the event that a replaceable contractor can demonstrate a serious inequity resulting from the application of these guidelines, the Trustee may consider his arguments and suggest to the BCFRT Advisory Board that a modified payment be made.

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**Employee Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to  
severance of employees as a direct result of Forestry Revitalization  
Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to workers affected by the *Forestry Revitalization Act* Timber Reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider, among other things, the potential of providing mitigation for certain claims of forest workers employed by licensees or contractors with replaceable contracts that are directly impacted by the *Forestry Revitalization Act*. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on forest workers.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

The intention of these guidelines is to enable each of the major licensees and replaceable contractors that have to sever staff as a result of timber reallocation pursuant to the BC *Forestry Revitalization Act* (FRA) to determine the amount of mitigation payments that may be covered by the BCFRT.

Once the Ministry of Forests and the major licensees affected by the FRA have agreed upon the areas to be relinquished by the major licensees, the major licensees will go through a process with their contractors to determine which contractors and or company crews will be affected by the timber reallocation. It will then be up to the licensees and contractors to determine which, if any, of their employees will need to be severed as a result of the decrease in available work. Licensees and contractors will need to be guided by existing contractual obligations when deciding which, if any, employees will be severed.

The employer, either the licensee or the contractor as appropriate, will be responsible to conclude any negotiations regarding employee severance with their employees and/or the employees' union. No contract buy-out payments will be made to contractors until any of the contractor's employees that will be severed have been identified. However, the BCFRT will not fund any severance payments unless and until the employee is actually severed. Further, the severance has to be as a direct result of the loss of access to fibre caused by the 20% take-back mandated by the *Forestry Revitalization Act*.

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**Employee Mitigation Guidelines**

The following guidelines will apply to employee severance mitigated by the BCFRT:

**Note:** In the context of these guidelines, an **affiliate** is any corporation or business entity controlling, controlled by or under common control with the contractor or licensee. The **effective date of severance** is the date the employer ceased to use the services of the severed employee as a direct result of the *Forestry Revitalization Act* timber reallocation. A potentially eligible **employee** is a forestry worker as defined in the BCFRT Trust Deed. A copy of the Trust Deed can be viewed at [www.bcfirt.com](http://www.bcfirt.com).

1. The number of employees severed by either a replaceable contractor or a major licensee should be consistent with industry averages as determined by PricewaterhouseCoopers in its studies of the BC Forest Sector. This suggests that in the logging and forestry sector, including hourly, contract, and salaried employees, the Trustee would expect a maximum of approximately 0.5 employee positions lost per thousand cubic metres of lost logging opportunity on the Coast, and 0.3 employee positions lost per thousand cubic metres of lost logging opportunity in the interior.
2. In most cases the number of severed employees will be less than the maximums noted above because there is no overall allowable annual cut (AAC) reduction, and the affected contractors may find replacement contracts. In the case of company crews, the licensee will be expected to try to find alternate employment for displaced forestry workers within other company operations. Where a contractor has more than one operation, the contractor will be expected to try to find alternate employment for displaced forestry workers within affiliated operations.
3. Mitigation payments will be determined as follows:
  - a. On the Coast and in the Interior, 10 days of regular day's pay for each full year of continuous service, plus 10/12 of a regular day's pay for each additional completed month of continuous service, with continuous service ending on the effective date of severance.
  - b. A regular day's pay for the purposes of severance should be calculated using the method used on the Coast to determine payment made to the employee on the Statutory Holiday closest to the time of severance.
  - c. In the case of employees that are approaching retirement age, either as defined by their contract or as a result of company policy, the BCFRT will mitigate the lesser of severance as calculated above, or an amount equal to the amount the employee would have earned if they continued to be employed from the effective date of severance to their retirement. In the absence of evidence to the contrary, it will be assumed that the employee would retire on their 65<sup>th</sup> birthday.
    - i. The annual amount the employee would have expected to earn between the effective date of severance and their retirement will be assumed to be the average of their gross wages as reported on their T-4 slips for 2001 and 2002, plus the net value of the lost pension benefits caused by the loss of employment. This amount will then be prorated over the number of days

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between the effective date of severance and the date they would have retired if they had not been severed.

- ii. The calculation in 3. (c) (i) will only be performed if:
  1. The severance is not caused by a permanent closure of the operation; and
  2. The employee in question is within 2 years of retirement. In the absence of evidence to the contrary, it will be assumed that the employee is within 2 years of retirement on their 63<sup>rd</sup> birthday.
  
4. In order for the BCFRT to mitigate severance payments, workers receiving severance must have been employed full time by a major licensee or contractor in the harvesting side of the forest industry in British Columbia on March 31, 2003, or been on temporary lay-off, but worked full time for a portion of the previous year, and still have been on the seniority list on March 31, 2003. Employers seeking mitigation will have to demonstrate to the satisfaction of the Trustee an ongoing, long-term attachment to the employee being severed. The Trustee will consider increasing the recognized years of service in special cases where an employee has a longer-term attachment to the industry than to the current employer but, because of the closure or downsizing of other operation(s), lost their previous job(s), and did not receive severance pay for that job loss. In either case, the employee must lose or have already lost their jobs as a result of the *Forestry Revitalization Act* timber reallocation.
  
5. Severance that cannot be directly linked to *Forestry Revitalization Act* timber reallocation will not be mitigated by the BCFRT.
  
6. There need not be a permanent closure of the entire operation for the BCFRT to mitigate severance payments.
  
7. If employees obtain re-employment with their previous employer at an alternate location, or with an affiliate of their previous employer, within 6 months of the effective date of severance from their previous position, and continue to work in a similar capacity, severance would not be mitigated by the BCFRT. However, mitigation may be available in respect of workers who are moved by their employer to an alternate location or to an affiliate and work at a significantly lower wage. The amount of the mitigation will be based on the actual loss to the worker as a result of the *Forestry Revitalization Act* timber reallocation. It will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.
  
8. Mitigation payments may be available for workers who are moved by their employer to an alternate location or to an affiliate as a result of the *Forestry Revitalization Act* timber reallocation within 6 months of the effective date of severance from their previous position, and subsequently lose their jobs as a result of their lower seniority through no fault of their own, within three years of the date of transfer. Except in extenuating circumstances, mitigation in respect of transferred employees will be reduced by 3% per month of employment that the transferred worker receives after the date of transfer.

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Actual mitigation will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.

9. In order for the BCFRT to mitigate any specific severance payment, the employer must actually sever the employee in question. The severed employee cannot be rehired by the same employer or an affiliate to work in the same or similar capacity, at the same or similar wage, within 6 months of the effective date of severance, unless there is a material change in circumstance for the employer. Such a material change could be a contractor receiving access to significantly more fibre, or the contractor or licensee needing to replace someone who died, quit or retired subsequent to the worker in question receiving severance.
10. If the BCFRT mitigates a severance payment in respect of an employee who is re-employed by the contractor or licensee or an affiliate within six months from the effective date of severance, the contractor or licensee will be required to refund the full mitigation payment to the BCFRT, unless there is a material change in circumstances for the employer, as set out in Section 9. This restriction is required to discourage the payment of severance for what may be a normal seasonal lay-off.
11. In the case of a reduction of an operation, severance need not be offered only to the employees with the lowest seniority. Rather, the company, the employees and/or the union can negotiate to determine which employees will receive severance payments.
12. If the result of these negotiations is that more senior employees receive severance payments, and those payments are higher than if junior employees had been severed, the higher severance payments will still be eligible for mitigation in accordance with paragraph 3 based on years of service of the employees who are actually severed.
13. Senior employees that could have relied on their seniority to retain their jobs, but chose to receive voluntary severance so that more junior employees can retain their jobs, will be expected to give up their preferential hiring rights and sign a release in the form attached to these guidelines. Junior employees that had no choice about whether or not they would be severed will still have to sign a release, but will not have to give up any preferential hiring rights they may have.
14. Owner operators that receive contract buy-out payments will not be eligible for severance payments as well. However, if an owner operator has worked exclusively for one employer for a number of years, and if an appropriately calculated severance payment would provide better mitigation than a contract buy-out, then the contractor may choose to receive severance instead of a contract buy-out.

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Sample Employee release form:

**Employer letterhead**

Date: \_\_\_\_\_

I, \_\_\_\_\_, hereby accept the (voluntary) severance pay offered to me and in exchange (voluntarily) terminate my employment with \_\_\_\_\_ (the company) effective \_\_\_\_\_ (*the effective date of severance, which is the date the employer ceased to use the services of the severed employee as a direct result of the Forestry Revitalization Act timber reallocation.*). I further acknowledge that I am accepting this (voluntary) payment in full and final satisfaction of any claims, statutory or otherwise, that may arise out of my employment and the termination of employment after the signing of this agreement.

I acknowledge that I cannot be re-employed by the company or an affiliate of the company in the same or similar capacity and at the same or similar compensation for a period of 6 months from the effective date of severance unless either:

1. I return 100% of the severance payment to the company, so that the company can return the severance payment to the BC Forestry Revitalization Trust; or
2. There is a material change in circumstance for the company. Such a material change could be the company receiving access to significantly more fibre, or the company needing to replace someone who died, quit or retired subsequent to my receipt of this severance pay.

*Plus the following sentence if this is a voluntary severance. A voluntary severance is one in which the employee being severed could have relied on his or her seniority to retain their job, but chose to receive severance and allow a more junior person to retain their job.*

I acknowledge that by accepting this payment I relinquish any rights I may have for preferential hiring by the company.

Signed: \_\_\_\_\_  
Employee signature

*Note: Severance will be considered to be voluntary if accepted by an employee that could have relied on their seniority to remain employed in the case of a partial reduction of an operation, but chose instead to receive severance in order to allow a person with less seniority to retain their job.*

Moving Estimate of BCFRT Costs

**Summary Sheet**

Following is my current best estimate of Mitigation costs based on the Guidelines approved by the BCFRT Advisory Board. The estimates are based on information gathered from a variety of sources, including:

Experience with the Coast Sustainability Trust  
Estimates provided by most of the affected licensees

PricewaterhouseCoopers Forest Industry reports  
Discussions with BCFRT Advisory Board members

<b>Contractor mitigation:</b>			<b>Expected Costs</b>
Interior		\$30,676,221	
Coast harvesting	\$27,138,947		
Coast road building	\$4,000,000		
Coast Subtotal		\$31,138,947	
Equipment selling costs		\$2,000,000	
Total contractor mitigation			<b>\$63,815,169</b>

**Notes:**

The concept of a \$16/m3 cap was accepted on the Coast, and a \$10/m3 cap in the Interior appears to be acceptable based on information gathered about actual third party sales. The Coast road building number assumes 10,000m3 harvested per km of road built by replaceable contractors. There is resistance to no payments for **redundant equipment**, but it is defensible given the fact there is no actual AAC reduction, and the current high level of activity in the industry suggests redundant equipment could be sold at a reasonable price.

**Worker Mitigation:**

	Licensee estimates	
Interior	\$24,702,570	
Coast	\$45,673,337	
Total Worker Mitigation	\$70,375,907	<b>\$70,375,907</b>

**Notes:**

Licensee estimates of seniority were used in the interior, but IWA averages were used on the Coast as they were thought to more likely to be accurate. The average IWA active worker in Local 2171 (mostly logging) was 13.8 years. A separate survey of 7 coastal contractors representing 112 workers that will be displaced had an average of 13.7 years seniority. On the other hand, experience with the Coast Sustainability Trust had average seniority of 7.7 years, and a survey of 20 interior contractors suggests an average of only 6.5 years seniority. Ongoing work is being done to improve the reliability of these estimates, but the numbers are not expected to change much until the actual Forestry Revitalization Proposals are developed.

**Administration:**

The BCFRT actually calls for administration to cost \$5,000,000. However, if we can use the model suggested above, the total of trustee, administration, legal, audit, independent contractors, and Advisory Board expenses should be able to be kept to this amount. **\$2,000,000**

**Total** **\$136,191,076**

**Notes:**

The main potential weaknesses with the above estimate are:  
The estimate for seniority may be low, which would increase costs - low probability. Based on experience with the Coast Sustainability Trust it is more likely that seniority estimates are high, so costs may come down.  
The number of employees to be severed may be wrong. With the current state of the industry, this is most likely to reduce costs, because severance numbers are more likely to go down than up. However, if there is a downturn before the 20% take back runs through the system, severance could go up - biggest unknown.

Moving Estimate of BCFRT Mitigation Costs

Estimated Contractor Impact

Interior

Licensee	# of lost m3 allocated to replaceable contracts	Average stump to mill contract cost	# of lost m3 allocated to non replaceable contracts	# of lost m3 allocated to company crews	# of lost m3 that are not currently allocated	Total # of lost m3
Abitibi Consolidated Inc.						
Ainsworth Lumber Co. Ltd.					29,634	29,634
Apollo Forest Products	2,930	\$22.27	1,256			4,186
BHFP, Now Timber Baron FP	16,508	\$53.00	6,420			22,928
Canfor Corporation	607,407	\$24.50	583,034			1,190,441
Carrier Lumber	6,629	\$23.65	6,628			13,257
Dunkley Lumber Ltd.					2,297	2,297
Federated Co-operatives	14,952	\$29.88	15,700			30,652
Gorman Bros. Lumber Ltd.	5,624	\$27.00	1,406			7,030
Lakeland Mills Ltd.	12,457	\$24.20				12,457
Lignum Ltd.	46,972	\$28.00				46,972
LP Engineered Wood Products	56,339	\$25.00			17,339	73,678
New Skeena						
Pope & Talbot Ltd.	104,220	\$28.93	86,379	8,700		199,299
Riverside Forest Products	193,982	\$27.57	190,000			383,982
Slocan Forest Products	521,316	\$24.50	292,298			813,614
Stuart Lake Lumber Co. Ltd.			495			495
Teal Cedar Products Ltd.	37,982	\$30.00			10,096	48,078
Tembec Industries Inc.	93,000	\$24.00	96,310			189,310
The Pas Lumber Company	38,193	\$20.50	38,193			76,385
Tolko Industries Ltd.	123,300	\$26.00	123,295			246,595
Weldwood of Canada Limited	278,720	\$29.32	138,682			417,402
West Fraser Timber Co. Ltd.	522,500	\$33.77	335,434			857,934
Weyerhaeuser Canada	123,530	\$28.12	98,470			222,000
Adjusted Weighted Av \$/m3 (see note)		\$24.69			check sum	4,888,626
Total reported to date	2,806,561		2,014,000	8,700	59,366	4,888,626
Total take back						5,409,363
Percent reported to date	57.4%		41.2%	0.2%	1.2%	90.4%
Contractor Mitigation (buyout only)					\$30,676,221	

o/s for 183,125 m3

o/s for 337,612 m3

Coast

Canfor Corporation	231,130		58,707	75,734		365,571	No contractor costs yet
Western Forest Products	484,320	\$43.07		192,577	8,319	685,216	
Husby Forest Products	6,109	\$29.05				6,109	
Interfor	348,010	\$62.99		231,028		579,038	
Teal Cedar Products	57,180	\$40.00		110,957		168,137	
TimberWest Group	10,000	\$30.22	20,000		3,207	33,207	
Weyerhaeuser Canada	564,200	\$50.00		303,800	110,694	978,694	
Adjusted Weighted Av \$/m3 (see note)		\$39.89			check sum	2,815,972	
Total reported to date	1,700,949		78,707	914,096	122,220	2,815,972	
Total take back						2,815,972	
Percent reported to date	60.4%		2.8%	32.5%	4.3%	100.0%	
Contractor Mitigation (buyout only) assuming only replaceable, and using CST formula					\$27,138,947		

**Total estimated contractor mitigation cost**

**\$57,815,169**

Notes:

Contractor Mitigation (buyout only) is available only to replaceable contractors, and is based on the Contractor Mitigation Guidelines. Calculation of cost is based on caps of \$16/m3 on the coast, \$10/m3 in the interior, \$30,000/km for roads, and \$1.50 /m3 for falling. The adjusted weighted average incorporates the cap, so the maximum cost included is \$40 on the coast and \$25 in the interior

Moving Estimate of BCFRT Mitigation Costs

Estimated Worker Impact

Licensee	Interior	Number of Contractor employees expected to be severed	Average Seniority of contractor employees expected to be severed	Number of Company employees expected to be severed	Average Seniority of company employees expected to be severed	Total number of employees expected to be severed
Abitibi Consolidated Inc.						o/s
Ainsworth Lumber Co. Ltd.		0		0		0
Apollo Forest Products		0		0		0
BHFP Now Timber Baron FP		0	0.0	0	0.0	0 BHFP said 10, but no work in 4 yrs
Canfor Corporation		76	10.0	75	o/s	151 o/s company seniority
Carrier Lumber		0		0		0
Dunkley Lumber Ltd.		0		0		0
Federated Co-operatives		7	10.0	1		8
Goman Bros. Lumber Ltd.		0		0		0
Lakeland Mills Ltd.		0		0		0
Lignum (Now Riverside FP Marketing Ltd.)		8	20.0	2	15.0	8
LP Engineered Wood Products		0		0		0
New Skeena		0		0		no response, but assume zero
Pope & Talbot Ltd.		17	11.2	14	14.4	31
Riverside Forest Products		50	15.0	17	15.9	67
Slocan Forest Products		65	10.0	15	o/s	80 o/s company seniority
Stuart Lake Lumber Co. Ltd.		0		0		0
Teal Cedar Products Ltd.		6	10.0			6
Tembec Industries Inc.		11	10.0	10	20.0	21
The Pas Lumber Company		6	12.5	2	12.5	8
Tolko Industries Ltd.		28	12.0	12	12.0	40
Weldwood of Canada Limited						0 No severance estimates yet
West Fraser Timber Co. Ltd.		112	12.5	20	5.2	132
Weyerhaeuser Canada		23	19.6	10	18.0	33

Reported workers to be severed	407		178		585
Weighted Average seniority		12.2		13.3	12.4
Extrapolated workers to be severed assuming reported severance is same as unreported					664
Average number of cubic metres of lost AAC per interior severed employee				8,152	

Coast

Canfor Corporation					0 No severance estimates yet
Western Forest Products	165	4.9	79	4.9	244
Husby Forest Products	2	4.0	2	4.0	4
Interfor	135	11.5	97	11.6	232
Teal Cedar Products	28	17.9	50	23.5	78
TimberWest Group	0		2	12.0	2
Weyerhaeuser Canada	230	20.0	170	25.0	400

Reported workers to be severed	560		400		960
Weighted Average seniority		13.3		17.4	15.0
Note: Average IWA local 2171 seniority is 13.8 years. This is likely more accurate and will be used					13.8
Extrapolated workers to be severed assuming reported severance is same as unreported					1,103
Average number of cubic metres of lost AAC per coast severed employee				2,553	

**Total workers in BC expected to be severed 1,767**

Weighted average seniority for all BC workers:					14.1
Adjusted average seniority for all BC workers:					13.3
Using 10 days pay for each year of service and the following average daily wages:			250	300	350

Projected Severance Interior \$20,585,475 \$24,702,570 \$28,819,665

Projected Severance Coast \$41,488,387 \$45,673,337 \$58,083,742

**Total projected severance \$62,073,862 \$70,375,907 \$86,903,407**

Severance per employee \$35,134 \$39,833 \$49,187

Note: The above numbers are likely too high. There will likely be fewer contractor employee severances because alternate work will be found. Also, the seniority numbers are likely too high. The Coast Sustainability Trust only paid an average of \$16,120 per employee. Even going from 7 to 10 days should only boost that average to about \$23,000.

**Most likely total is based on \$300/ day for both the Coast and the interior, or \$70,375,907**

**Major possible cost change scenarios**

Following are a variety of possible ways in which the total mitigation costs may end up being more or less than projected by the major Licensees.

Scenario	Description	Cost Reduction	Cost Increase
1	Licensee estimate of employee severance on the Coast (1103 people) is too high. If that number is dropped to 800, the savings would be:	\$12,553,337	
2	Licensee estimate of employee severance in the Interior (664 people) is too high by approximately 50%. If that number is dropped to 350, the savings would be:	\$11,673,218	
3	Seniority is as experienced by the Coast Sustainability Trust (7.7 years, but highly unlikely based on discussions with numerous companies and associations)	\$40,812,887	
4	Seniority is as estimated by the Licensees on the Coast instead of being the same as the Steelworkers Local 1-2171 average.		\$4,112,727
5	Seniority ends up averaging 10 years instead of the currently projected 14.1 years	\$17,372,158	

Pages 270 through 275 redacted for the following reasons:

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ATTN: DOUG

RUD VISSER

(FAX) 250-287-5105

**The Forestry Revitalization Trust  
Meeting with Minister Michael de Jong  
11:45 am Friday November 12, 2004  
740 - 999 Canada Place, Vancouver  
Agenda**

1. Current allocation of Trust Funds:
  - a. Total now at \$77,700,000
2. Advisory Board had now been completed and had four meetings. Consists of:
  - a. Peter Affleck Interior licensees
  - b. Jim Girvan TLA
  - c. Monty Mearnes Steelworkers
  - d. Tim Menning Interior contractors
  - e. Julian Paine MoF
  - f. Darrel Wong Steelworkers
  - g. Berni Zimmerman Coastal licensees

The BCFRT Advisory Board has approved Employee and Contractor Mitigation Guidelines, subject to the BCFRT being able to source the additional funds.
3. Presentation and discussion of Contractor Mitigation Guidelines.
  - a. Concept is fair market value
4. Presentation and discussion of Worker Mitigation Guidelines.
  - a. Concept is severance.
5. Presentation and discussion of results of survey of all affected licensees.
  - a. Estimated Contractor Impact
  - b. Estimated Worker Impact
  - c. Summary Sheet
6. Additional requirements for the BCFRT.
7. Presentation and discussion of the legal opinion from Blair Dwyer.
8. Discussion of how to deal with shortfall
  - a. Could come from \$200 MM industry compensation (Embracing a new vision)
  - b. Could come from FIA
  - c. Could come from temporary stumpage surcharge

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to the loss  
of some or all of replaceable contracts as a direct result of  
Forestry Revitalization Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to Contractors affected by the *Forestry Revitalization Act* (FRA) timber reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider the potential of providing redress for certain claims of Contractors with replaceable contracts that are directly impacted by the FRA. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on logging Contractors.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the BCFRT Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

**1. Application:**

These guidelines are intended to apply to all Contractors who hold or held a replaceable contract as defined in the Timber Harvesting Contract and Subcontract Regulation and who lose some or all of their replaceable contractual rights as a result of timber reallocations resulting from the FRA.

The BCFRT will accept claims for redress received from negatively impacted contractors until March 31, 2008, as those impacts are confirmed through the timber reallocation process. Only replaceable contracts will be considered for mitigation. The BCFRT will not accept applications for mitigation related to non-replaceable contracts.

The following outlines the process:

- Step 1. Licensees directly affected by the *FRA* must use Part 5.1 of the Timber Harvesting Contract and Subcontract Regulation to define what contractors will be affected by the taking of timber harvesting rights and the extent to which those contractors will be affected. The process is clearly explained in a document prepared by Davis & Company which is available by following the links on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).
- Step 2. The Trustee of the BCFRT will address the Contractor's claim for mitigation in accordance with these guidelines and in consultation with the Contractor and the Licensee.

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

- Step 3. The Contractor must respond promptly to requests for information from the BCFRT, must allow representatives of the BCFRT reasonable access to sites and equipment which the Contractor claims have been impacted by the FRA, and must allow BCFRT representatives access to (and the right to review and audit) records and source documents maintained by the Contractor to the extent that those documents pertain to the facts surrounding the claim of impact submitted by the Contractor.
- Step 4. The Contractor must provide detailed information relating to employees, if any, that must be severed as a result of the FRA timber reallocation.
- Step 5. The Contractor must disclose any replaceable sub-contracts that he has that are related to the impacted replaceable contract.
- Step 6. The Licensee must confirm the contract information and the reasonableness of Contractor claims of injury or loss. In addition the Licensee must obtain a release from the Contractor regarding the Licensee's obligations to the replaceable Contractor. A sample form of release is attached to these Guidelines.

**2. Definitions:**

- 2.1 **Average Contract Rate** means the amount calculated by dividing the total contract billings by the total production volume for the Baseline Period, expressed as dollars per standard output unit of measure for that contract.
- 2.2 **Baseline Period** means the portion of the calendar year prior to the Date of Impact, plus the previous two full calendar years.
- 2.3 **Contractor** means a replaceable contractor as defined in the Timber Harvesting Contract and Subcontract Regulation.
- 2.4 **Contribution to Profit** means that portion of the Average Contract Rate assumed to remain after the Contractor pays all direct costs associated with the delivery of a standard unit of work under the contract. For the purposes of these Guidelines, the Contribution to Profit is:
- 2.4.1 10% for a replaceable full phase contract, and
- 2.4.2 7% for a replaceable single phase falling, bucking, skidding, yarding, grading, road building, hauling or booming contract.
- 2.5 **Date of Impact** means the date on which the Contractor was materially affected by a volume reallocation resulting from the FRA.
- 2.6 **Economic Multiple** means the multiple of the annual net cash flow available from the contract used by business evaluators to estimate the economic value of a contract. The

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

Economic Multiple is adjusted to reflect perceived business risk. The following Economic Multiples will apply in the calculation of the Impact Payment:

- 2.6.1 With respect to a replaceable full phase contract, 4 years, and
- 2.6.2 With respect to a replaceable single phase contract, 3 years.
- 2.7 **Eligible Impact** means the amount a contract has been reduced, expressed in the units used in the contract, such as cubic metres of wood harvested or handled, or kilometers of road built or maintained.
- 2.8 **Aggregate Impact Payment** means the aggregate of all Impact Payments made by the BCFRT in respect of a single Contractor.
- 2.9 **Impact Payment** means the amount which the BCFRT agrees to pay to a Contractor after applying these Guidelines to the Contractor with respect to the direct impact caused by the FRA on each of the following:
  - 2.9.1 Replaceable full phase contracts,
  - 2.9.2 Replaceable single phase contracts,
  - 2.9.3 Mitigation associated with the disposal of redundant equipment.
- 2.10 **Impacted Volume** means:
  - 2.10.1 With respect to a timber harvesting contract, the reduction in the Nominal Work Volume available under the contract, as notified in writing by the licensee, expressed in cubic meters.
  - 2.10.2 With respect to a road construction contract, the reduction in Nominal Work Volume, expressed in kilometers.
  - 2.10.3 With respect to work performed under an hourly contract, the reduction in Nominal Work Volume expressed in hours of work. This reduction must be reasonably proportional to the AAC reduction experienced by the licensee for whom the work is done, either directly or indirectly.
- 2.11 **Nominal Work Volume** means the work volume available under a contract immediately prior to the Date of Impact.

### 3. Key Principles:

- 3.1 An Impact Payment is made in the discretion of the Trustee and is not a right set out in legislation. Each Impact Payment will be confirmed in a separate Mitigation Agreement between the Contractor and the BCFRT. The Mitigation Agreement will contain

**BC Forestry Revitalization Trust  
Replaceable Contractor Mitigation Guidelines**

clauses that limit the Contractor's right to commence any other proceedings or pursue any other legal remedies that may exist as a result of the FRA timber reallocation.

- 3.2 The BCFRT will consider making an Impact Payment in respect of the direct impact of the FRA on each of the following:
  - 3.2.1 Replaceable full phase timber harvesting contracts,
  - 3.2.2 Replaceable single phase timber harvesting contracts, including contracts for the construction and/or maintenance of logging roads, and
  - 3.2.3 Redundant equipment that is disposed of in an arms length transaction.
- 3.3 The BCFRT will not make any Impact Payment under this Framework with respect to indirect or consequential impacts of the FRA timber reallocation.
- 3.4 As a general principle, the date of valuation for all impacts will be the Date of Impact.
- 3.5 An Impact Payment is separate from any "adjustment assistance" available under other provincial or federal/provincial arrangements and no Impact Payment is available for any claims that have been dealt with under those arrangements. In addition, no adjustment assistance is payable under those arrangements for claims in respect of which an Impact Payment was made under this Framework.
- 3.6 The BCFRT will not make any Impact Payment with respect to any impact that the BCFRT reasonably considers to be a normal business risk of the Contractor.
  - 3.6.1 No Impact Payment will be paid with respect to chattel and immovable assets employed in the delivery of a non-replaceable timber harvesting contract.
- 3.7 An Impact Payment is available only with respect to demonstrated impacts directly attributable to the FRA timber reallocation. In order to pursue the process outlined in these Guidelines, a Contractor must confirm and provide, in a form satisfactory to the BCFRT, written details of the extent to which the FRA timber reallocation was the direct cause of a reduction in a replaceable contract. In most cases, this will require production of at least a copy of the accepted Forestry Revitalization Proposal and may require the production of other relevant documents.
- 3.8 Where subcontractors are used that hold replaceable contracts as defined in the Timber Harvesting Contract and Subcontract Regulation, the Contractor will be responsible for identifying each subcontractor, and allocating among all subcontractors their appropriate share of the proposed Impact Payment. No Impact Payments will be made to the lead Contractor until agreement is made on payments to all replaceable subcontractors.
- 3.9 The Contractor and sub-contractor must identify which of their employees should receive severance, and must confirm this list with the BCFRT and, if appropriate, the

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

employee's union. Severance payments will not be subtracted from the Impact Payment. Severance payments are to be made by the employer. The employer may claim mitigation in respect of severance payments under the separate procedure set out in the Employee Mitigation Guidelines.

- 3.10 As described in the Employee Mitigation Guidelines, if employers pay severance to employees and receive mitigation for that severance from the BCFRT, neither they nor any affiliated company can rehire those employees for 6 months in the same or similar capacity and wage unless there is a material change in circumstances, such as access to significantly more fibre subsequent to the severance, or because another employee quits, dies or retires subsequent to the severance being paid, and that employee needs to be replaced. If the employer does rehire a severed employee, and the above conditions do not apply, the employer who paid the severance will be required to reimburse the BCFRT for the entire severance paid to the employee with BCFRT funds.
- 3.11 Contractors and subcontractors may receive mitigation payments even though they find alternate work and therefore do not have to sever any employees.

#### **4. Impact Assessment:**

##### General:

- 4.1 Each Impact Payment is subject to a test of market and economic reasonableness applied by the BCFRT. This test takes various factors into account, including "reasonable expectations" in the ordinary course of business, actual contract terms, Forest Act provisions, and normal business risks. Subject to the application of that test of market and economic reasonableness, however, Contractor mitigation will be calculated as shown in the following section.

##### Impacts on Work Volumes:

- 4.2 The Impact Payment respecting impacts on work volumes will be calculated as:
- The Impacted Volume, multiplied by
  - The Average Contract Rate, multiplied by
  - The Contribution to Profit, multiplied by
  - The Economic Multiple.
- 4.2.1 The Impact Payment payable and the calculations set out in Article 4.2 are subject to the following maximum caps:

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

- 4.2.1.1 With respect to full phase timber harvesting contracts on the Coast, as defined by the Ministry of Forests, \$16.00 per cubic meter of Eligible Impact.
- 4.2.1.2 With respect to full phase timber harvesting contracts in the Interior, as defined by the Ministry of Forests, \$10.00 per cubic meter of Eligible Impact.
- 4.2.1.3 With respect to single phase falling and bucking contracts, \$1.50 per cubic meter of Eligible Impact.
- 4.2.1.4 With respect to single-phase road building contracts, \$30,000 per kilometer of Eligible Impact.

Redundant Assets – General:

- 4.3 The onus is on the Contractor to demonstrate to the BCFRT's satisfaction that an asset is redundant, and that the redundancy was caused directly by work volume reductions resulting from the FRA Timber Reallocation.

Impacts on Chattel Assets:

- 4.4 The BCFRT will not provide mitigation for moveable redundant equipment that is retained by the Contractor.
- 4.5 When a Contractor can demonstrate the equipment was made redundant because of work reduction caused by the FRA, and the Contractor sells that equipment and does not replace it with similar equipment, the BCFRT will provide mitigation to the contractor equal to 25% of the gross selling price of the redundant equipment to an arms length purchaser.
  - 4.5.1 In order to receive mitigation for redundant equipment as described above, the equipment must be sold within 6 months of the later of the Date of Impact or the signing of the Mitigation Agreement between the Contractor and the Trustee. In the event that market conditions are such that equipment cannot be sold within 6 months, an extension of no more than 6 months may be granted if it can be demonstrated that the equipment is actively for sale and is not in use in other operations. This could be substantiated by having the equipment on display in a used equipment lot, or scheduled for sale at an auction.

Impacts on Immovable Assets:

- 4.6 The BCFRT will not provide mitigation for immoveable redundant assets that belong to the Contractor.

**BC Forestry Revitalization Trust**  
**Replaceable Contractor Mitigation Guidelines**

**5. Aggregate Impact Payment**

- 5.1 Where the BCFRT and the Contractor agree on an Impact Payment with respect to any discrete claim of impact, the BCFRT may document and pay out such claim.
- 5.2 Subject to Article 3.5, the early payment of an Impact Payment may be made without limiting the Contractor's ability to continue with negotiations with respect to other claimed impacts. (For example, the BCFRT may pay out an agreed settlement with respect to a replaceable contract or sub-contract, while claims for other replaceable contracts with the same Contractor or redundant assets remain under negotiation.)
- 5.3 The Contractor may request that the BCFRT process an interim payment respecting the Aggregate Impact Payment.
- 5.3.1 In cases of financial distress, the Contractor may request an interim payment at any time after the provision of information required under Article 1.
- 5.3.2 The request for an interim payment must include a statement from the Contractor confirming the Contractor has applied commercial diligence in the presentation of all information to the BCFRT, and believes the information provided represents a complete and accurate representation of the facts surrounding the impact of the FRA timber reallocation on the Contractor.
- 5.3.3 An interim payment will be treated as an advance. As Impact Payments are confirmed they will be applied first toward repayment of the interim payment.
- 5.3.3.1 Once Impact Payments at least equal to the interim payment have been confirmed, all future Impact Payments, or portions of Impact Payments, will be paid to the Contractor.
- 5.3.3.2 Should the actual Aggregate Impact Payment due the Contractor be less than the interim payment received by the Contractor, an overpayment situation shall exist and the Contractor will be liable for the repayment of any such overpayment.
- 5.3.3.3 The Contractor will be required to undertake to repay any overpayment within 10 business days of notice from the BCFRT that such an overpayment exists. Should the overpayment not be repaid by the Contractor within 10 days of notice, the amount owing will bear interest from the tenth day at the rate prescribed in the *Court Order Interest Act*.
6. In the event that a replaceable contractor can demonstrate a serious inequity resulting from the application of these guidelines, the Trustee may consider his arguments and suggest to the BCFRT Advisory Board that a modified payment be made.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

**Guidelines for major licensees and contractors with respect to  
severance of employees as a direct result of Forestry Revitalization  
Act Timber Reallocation:**

The Province specifically denies any legal obligation to provide compensation to workers affected by the *Forestry Revitalization Act* Timber Reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust (BCFRT) as a matter of policy to consider, among other things, the potential of providing mitigation for certain claims of forest workers employed by licensees or contractors with replaceable contracts that are directly impacted by the *Forestry Revitalization Act*. This policy approach does not extend beyond the BCFRT and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on forest workers.

The BCFRT is a discretionary trust. No specific person has any right or entitlement to receive any funds from the BCFRT unless and until the Trustee decides to make a payment to that specific person. Compliance with the guidelines does not guarantee receipt of any payment from the BCFRT. The guidelines are issued to assist applicants. However, the Trustee reserves the right to consider other factors not mentioned in the guidelines. Those other factors may include the amount of funds available for distribution.

The intention of these guidelines is to enable each of the major licensees and replaceable contractors that have to sever staff as a result of timber reallocation pursuant to the *BC Forestry Revitalization Act* (FRA) to determine the amount of mitigation payments that may be covered by the BCFRT.

Once the Ministry of Forests and the major licensees affected by the FRA have agreed upon the areas to be relinquished by the major licensees, the major licensees will go through a process with their contractors to determine which contractors and or company crews will be affected by the timber reallocation. It will then be up to the licensees and contractors to determine which, if any, of their employees will need to be severed as a result of the decrease in available work. Licensees and contractors will need to be guided by existing contractual obligations when deciding which, if any, employees will be severed.

The employer, either the licensee or the contractor as appropriate, will be responsible to conclude any negotiations regarding employee severance with their employees and/or the employees' union. No contract buy-out payments will be made to contractors until any of the contractor's employees that will be severed have been identified. However, the BCFRT will not fund any severance payments unless and until the employee is actually severed. Further, the severance has to be as a direct result of the loss of access to fibre caused by the 20% take-back mandated by the *Forestry Revitalization Act*.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

The following guidelines will apply to employee severance mitigated by the BCFRT:

**Note:** In the context of these guidelines, an **affiliate** is any corporation or business entity controlling, controlled by or under common control with the contractor or licensee. The **effective date of severance** is the date the employer ceased to use the services of the severed employee as a direct result of the *Forestry Revitalization Act* timber reallocation. A potentially eligible **employee** is a forestry worker as defined in the BCFRT Trust Deed. A copy of the Trust Deed can be viewed at [www.bcftr.com](http://www.bcftr.com).

1. The number of employees severed by either a replaceable contractor or a major licensee should be consistent with industry averages as determined by PricewaterhouseCoopers in its studies of the BC Forest Sector. This suggests that in the logging and forestry sector, including hourly, contract, and salaried employees, the Trustee would expect a maximum of approximately 0.5 employee positions lost per thousand cubic metres of lost logging opportunity on the Coast, and 0.3 employee positions lost per thousand cubic metres of lost logging opportunity in the interior.
2. In most cases the number of severed employees will be less than the maximums noted above because there is no overall allowable annual cut (AAC) reduction, and the affected contractors may find replacement contracts. In the case of company crews, the licensee will be expected to try to find alternate employment for displaced forestry workers within other company operations. Where a contractor has more than one operation, the contractor will be expected to try to find alternate employment for displaced forestry workers within affiliated operations.
3. Mitigation payments will be determined as follows:
  - a. On the Coast and in the Interior, 10 days of regular day's pay for each full year of continuous service, plus 10/12 of a regular day's pay for each additional completed month of continuous service, with continuous service ending on the effective date of severance.
  - b. A regular day's pay for the purposes of severance should be calculated using the method used on the Coast to determine payment made to the employee on the Statutory Holiday closest to the time of severance.
  - c. In the case of employees that are approaching retirement age, either as defined by their contract or as a result of company policy, the BCFRT will mitigate the lesser of severance as calculated above, or an amount equal to the amount the employee would have earned if they continued to be employed from the effective date of severance to their retirement. In the absence of evidence to the contrary, it will be assumed that the employee would retire on their 65<sup>th</sup> birthday.
    - i. The annual amount the employee would have expected to earn between the effective date of severance and their retirement will be assumed to be the average of their gross wages as reported on their T-4 slips for 2001 and 2002, plus the net value of the lost pension benefits caused by the loss of employment. This amount will then be prorated over the number of days

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

between the effective date of severance and the date they would have retired if they had not been severed.

- ii. The calculation in 3. (c) (i) will only be performed if:
  1. The severance is not caused by a permanent closure of the operation; and
  2. The employee in question is within 2 years of retirement. In the absence of evidence to the contrary, it will be assumed that the employee is within 2 years of retirement on their 63<sup>rd</sup> birthday.
4. In order for the BCFRT to mitigate severance payments, workers receiving severance must have been employed full time by a major licensee or contractor in the harvesting side of the forest industry in British Columbia on March 31, 2003, or been on temporary lay-off, but worked full time for a portion of the previous year, and still have been on the seniority list on March 31, 2003. Employers seeking mitigation will have to demonstrate to the satisfaction of the Trustee an ongoing, long-term attachment to the employee being severed. The Trustee will consider increasing the recognized years of service in special cases where an employee has a longer-term attachment to the industry than to the current employer but, because of the closure or downsizing of other operation(s), lost their previous job(s), and did not receive severance pay for that job loss. In either case, the employee must lose or have already lost their jobs as a result of the *Forestry Revitalization Act* timber reallocation.
5. Severance that cannot be directly linked to *Forestry Revitalization Act* timber reallocation will not be mitigated by the BCFRT.
6. There need not be a permanent closure of the entire operation for the BCFRT to mitigate severance payments.
7. If employees obtain re-employment with their previous employer at an alternate location, or with an affiliate of their previous employer, within 6 months of the effective date of severance from their previous position, and continue to work in a similar capacity, severance would not be mitigated by the BCFRT. However, mitigation may be available in respect of workers who are moved by their employer to an alternate location or to an affiliate and work at a significantly lower wage. The amount of the mitigation will be based on the actual loss to the worker as a result of the *Forestry Revitalization Act* timber reallocation. It will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.
8. Mitigation payments may be available for workers who are moved by their employer to an alternate location or to an affiliate as a result of the *Forestry Revitalization Act* timber reallocation within 6 months of the effective date of severance from their previous position, and subsequently lose their jobs as a result of their lower seniority through no fault of their own, within three years of the date of transfer. Except in extenuating circumstances, mitigation in respect of transferred employees will be reduced by 3% per month of employment that the transferred worker receives after the date of transfer.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

Actual mitigation will be negotiated between the Trustee, the employer, the worker and, if applicable, the worker's union.

9. In order for the BCFRT to mitigate any specific severance payment, the employer must actually sever the employee in question. The severed employee cannot be rehired by the same employer or an affiliate to work in the same or similar capacity, at the same or similar wage, within 6 months of the effective date of severance, unless there is a material change in circumstance for the employer. Such a material change could be a contractor receiving access to significantly more fibre, or the contractor or licensee needing to replace someone who died, quit or retired subsequent to the worker in question receiving severance.
10. If the BCFRT mitigates a severance payment in respect of an employee who is re-employed by the contractor or licensee or an affiliate within six months from the effective date of severance, the contractor or licensee will be required to refund the full mitigation payment to the BCFRT, unless there is a material change in circumstances for the employer, as set out in Section 9. This restriction is required to discourage the payment of severance for what may be a normal seasonal lay-off.
11. In the case of a reduction of an operation, severance need not be offered only to the employees with the lowest seniority. Rather, the company, the employees and/or the union can negotiate to determine which employees will receive severance payments.
12. If the result of these negotiations is that more senior employees receive severance payments, and those payments are higher than if junior employees had been severed, the higher severance payments will still be eligible for mitigation in accordance with paragraph 3 based on years of service of the employees who are actually severed.
13. Senior employees that could have relied on their seniority to retain their jobs, but chose to receive voluntary severance so that more junior employees can retain their jobs, will be expected to give up their preferential hiring rights and sign a release in the form attached to these guidelines. Junior employees that had no choice about whether or not they would be severed will still have to sign a release, but will not have to give up any preferential hiring rights they may have.
14. Owner operators that receive contract buy-out payments will not be eligible for severance payments as well. However, if an owner operator has worked exclusively for one employer for a number of years, and if an appropriately calculated severance payment would provide better mitigation than a contract buy-out, then the contractor may choose to receive severance instead of a contract buy-out.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

Sample Employee release form:

**Employer letterhead**

Date: \_\_\_\_\_

I, \_\_\_\_\_, hereby accept the (voluntary) severance pay offered to me and in exchange (voluntarily) terminate my employment with \_\_\_\_\_ (the company) effective \_\_\_\_\_ (the effective date of severance, which is the date the employer ceased to use the services of the severed employee as a direct result of the Forestry Revitalization Act timber reallocation). I further acknowledge that I am accepting this (voluntary) payment in full and final satisfaction of any claims, statutory or otherwise, that may arise out of my employment and the termination of employment after the signing of this agreement.

I acknowledge that I cannot be re-employed by the company or an affiliate of the company in the same or similar capacity and at the same or similar compensation for a period of 6 months from the effective date of severance unless either:

1. I return 100% of the severance payment to the company, so that the company can return the severance payment to the BC Forestry Revitalization Trust; or
2. There is a material change in circumstance for the company. Such a material change could be the company receiving access to significantly more fibre, or the company needing to replace someone who died, quit or retired subsequent to my receipt of this severance pay.

*Plus the following sentence if this is a voluntary severance. A voluntary severance is one in which the employee being severed could have relied on his or her seniority to retain their job, but chose to receive severance and allow a more junior person to retain their job.*

I acknowledge that by accepting this payment I relinquish any rights I may have for preferential hiring by the company.

Signed: \_\_\_\_\_  
 Employee signature

*Note: Severance will be considered to be voluntary if accepted by an employee that could have relied on their seniority to remain employed in the case of a partial reduction of an operation, but chose instead to receive severance in order to allow a person with less seniority to retain their job.*

## Moving Estimate of BCFRT Costs

## Summary Sheet

Following is my current best estimate of Mitigation costs based on the Guidelines approved by the BCFRT Advisory Board. The estimates are based on information gathered from a variety of sources, including:

Experience with the Coast Sustainability Trust  
Estimates provided by most of the affected licensees

PricewaterhouseCoopers Forest Industry reports  
Discussions with BCFRT Advisory Board members

Contractor mitigation:		Expected Costs
Interior	\$30,676,221	
Coast harvesting	\$27,138,947	
Coast road building	\$4,000,000	
Coast Subtotal	\$31,138,947	
Equipment selling costs	\$2,000,000	
Total contractor mitigation		<b>\$63,815,169</b>

**Notes:**

The concept of a \$16/m3 cap was accepted on the Coast, and a \$10/m3 cap in the Interior appears to be acceptable based on information gathered about actual third party sales. The Coast road building number assumes 10,000m3 harvested per km of road built by replaceable contractors. There is resistance to no payments for **redundant equipment**, but it is defensible given the fact there is no actual AAC reduction, and the current high level of activity in the industry suggests redundant equipment could be sold at a reasonable price.

**Worker Mitigation:**

	Licensee estimates	
Interior	\$24,702,570	
Coast	\$45,673,337	
Total Worker Mitigation	\$70,375,907	<b>\$70,375,907</b>

**Notes:**

Licensee estimates of seniority were used in the interior, but IWA averages were used on the Coast as they were thought to more likely to be accurate. The average IWA active worker in Local 2171 (mostly logging) was 13.8 years. A separate survey of 7 coastal contractors representing 112 workers that will be displaced had an average of 13.7 years seniority. On the other hand, experience with the Coast Sustainability Trust had average seniority of 7.7 years, and a survey of 20 interior contractors suggests an average of only 6.5 years seniority.

Ongoing work is being done to improve the reliability of these estimates, but the numbers are not expected to change much until the actual Forestry Revitalization Proposals are developed.

**Administration:**

The BCFRT actually calls for administration to cost \$5,000,000. However, if we can use the model suggested above, the total of trustee, administration, legal, audit, independent contractors, and Advisory Board expenses should be able to be kept to this amount.

**\$2,000,000**

**Total** **\$136,191,076**

**Notes:**

The main potential weaknesses with the above estimate are:

The estimate for seniority may be low, which would increase costs - low probability. Based on experience with the Coast Sustainability Trust it is more likely that seniority estimates are high, so costs may come down.

The number of employees to be severed may be wrong. With the current state of the industry, this is most likely to reduce costs, because severance numbers are more likely to go down than up. However, if there is a downturn before the 20% take back runs through the system, severance could go up - biggest unknown.

## Moving Estimate of BCFRT Mitigation Costs

## Estimated Contractor Impact

Interior						
Licensee	# of lost m3 allocated to replaceable contracts	Average stump to mill contract cost	# of lost m3 allocated to non replaceable contracts	# of lost m3 allocated to company crews	# of lost m3 that are not currently allocated	Total # of lost m3
Abitibi Consolidated Inc.						o/s for 183,125 m3
Ainsworth Lumber Co. Ltd.					29,634	29,634
Apollo Forest Products	2,930	\$22.27	1,256			4,186
BHFP, Now Timber Baron FP	16,508	\$53.00	6,420			22,928
Canfor Corporation	607,407	\$24.50	583,034			1,190,441
Carrier Lumber	6,629	\$23.65	6,628			13,257
Dunkley Lumber Ltd.					2,297	2,297
Federated Co-operatives	14,952	\$29.88	15,700			30,652
Gorman Bros. Lumber Ltd.	5,624	\$27.00	1,406			7,030
Lakeland Mills Ltd.	12,457	\$24.20				12,457
Lignum Ltd.	46,972	\$28.00				46,972
LP Engineered Wood Products	56,339	\$25.00			17,339	73,678
New Skeena						o/s for 337,612 m3
Pope & Talbot Ltd.	104,220	\$28.93	86,379	8,700		199,299
Riverside Forest Products	193,982	\$27.57	190,000			383,982
Slocan Forest Products	521,316	\$24.50	292,298			813,614
Stuart Lake Lumber Co. Ltd.			495			495
Teal Cedar Products Ltd.	37,982	\$30.00			10,096	48,078
Tembec Industries Inc.	93,000	\$24.00	96,310			189,310
The Pas Lumber Company	38,193	\$20.50	38,193			76,386
Tolko Industries Ltd.	123,300	\$26.00	123,295			246,595
Weldwood of Canada Limited	278,720	\$29.32	138,682			417,402
West Fraser Timber Co. Ltd.	522,500	\$33.77	335,434			857,934
Weyerhaeuser Canada	123,530	\$28.12	98,470			222,000
Adjusted Weighted Av \$/m3 (see note)		\$24.69			check sum	4,888,626
Total reported to date	2,806,561		2,014,000	8,700	59,366	4,888,626
Total take back						5,409,363
Percent reported to date	57.4%		41.2%	0.2%	1.2%	90.4%
Contractor Mitigation (buyout only)					\$30,676,221	
Coast						
Canfor Corporation	231,130		58,707	75,734		365,571 No contractor costs yet
Western Forest Products	484,320	\$43.07		192,577	8,319	685,216
Husby Forest Products	6,109	\$29.05				6,109
Interfor	348,010	\$62.99		231,028		579,038
Teal Cedar Products	57,180	\$40.00		110,957		168,137
TimberWest Group	10,000	\$30.22	20,000		3,207	33,207
Weyerhaeuser Canada	564,200	\$50.00		303,800	110,694	978,694
Adjusted Weighted Av \$/m3 (see note)		\$39.89			check sum	2,815,972
Total reported to date	1,700,949		78,707	914,096	122,220	2,815,972
Total take back						2,815,972
Percent reported to date	60.4%		2.8%	32.5%	4.3%	100.0%
Contractor Mitigation (buyout only) assuming only replaceable, and using CST formula					\$27,138,947	
<b>Total estimated contractor mitigation cost</b>					<b>\$57,815,169</b>	

## Notes:

Contractor Mitigation (buyout only) is available only to replaceable contractors, and is based on the Contractor Mitigation Guidelines. Calculation of cost is based on caps of \$16/m3 on the coast, \$10/m3 in the interior, \$30,000/km for roads, and \$1.50/m3 for falling. The adjusted weighted average incorporates the cap, so the maximum cost included is \$40 on the coast and \$25 in the interior

## Moving Estimate of BCFRT Mitigation Costs

## Estimated Worker Impact

Interior	Number of Contractor employees expected to be severed	Average Seniority of contractor employees expected to be severed	Number of Company employees expected to be severed	Average Seniority of company employees expected to be severed	Total number of employees expected to be severed
<b>Licensee</b>					
Abitibi Consolidated Inc.					o/s
Ainsworth Lumber Co. Ltd.	0		0		0
Apollo Forest Products	0		0		0
BHFP Now Timber Baron FP	0	0.0	0	0.0	0 BHFP said 10, but no work in 4 yrs
Canfor Corporation	76	10.0	75 o/s		151 o/s company seniority
Carrier Lumber	0		0		0
Dunkley Lumber Ltd.	0		0		0
Federated Co-operatives	7	10.0	1		8
Gorman Bros. Lumber Ltd.	0		0		0
Lakeland Mills Ltd.	0		0		0
Lignum (Now Riverside FP Marketing Ltd.)	6	20.0	2	15.0	8
LP Engineered Wood Products	0		0		0
New Skeena	0		0		no response, but assume zero
Pope & Talbot Ltd.	17	11.2	14	14.4	31
Riverside Forest Products	50	15.0	17	15.9	67
Slocan Forest Products	65	10.0	15 o/s		80 o/s company seniority
Stuart Lake Lumber Co. Ltd.	0		0		0
Teal Cedar Products Ltd.	6	10.0			6
Tembec Industries Inc.	11	10.0	10	20.0	21
The Pas Lumber Company	6	12.5	2	12.5	8
Toiko Industries Ltd.	28	12.0	12	12.0	40
Weldwood of Canada Limited					0 No severance estimates yet
West Fraser Timber Co. Ltd.	112	12.5	20	5.2	132
Weyerhaeuser Canada	23	19.6	10	18.0	33
Reported workers to be severed	407		178		585
Weighted Average seniority		12.2		13.3	12.4
Extrapolated workers to be severed assuming reported severance is same as unreported					664
Average number of cubic metres of lost AAC per interior severed employee				8,152	

## Coast

Canfor Corporation					0 No severance estimates yet
Western Forest Products	165	4.9	79	4.9	244
Husby Forest Products	2	4.0	2	4.0	4
Interfor	135	11.5	97	11.6	232
Teal Cedar Products	28	17.9	50	23.5	78
TimberWest Group	0		2	12.0	2
Weyerhaeuser Canada	230	20.0	170	25.0	400
Reported workers to be severed	560		400		960
Weighted Average seniority		13.3		17.4	15.0
Note: Average IWA local 2171 seniority is 13.8 years. This is likely more accurate and will be used					13.8
Extrapolated workers to be severed assuming reported severance is same as unreported					1,103
Average number of cubic metres of lost AAC per coast severed employee				2,553	

**Total workers in BC expected to be severed** 1,767

Weighted average seniority for all BC workers: 14.1  
 Adjusted average seniority for all BC workers: 13.3  
 Using 10 days pay for each year of service and the following average daily wages:

Projected Severance Interior \$20,585,475 \$24,702,570 \$28,819,665

Projected Severance Coast \$41,488,387 \$45,873,337 \$58,083,742

**Total projected severance** \$62,073,862 \$70,375,907 \$86,903,407

Severance per employee \$35,134 \$39,833 \$49,187

Note: The above numbers are likely too high. There will likely be fewer contractor employee severances because alternate work will be found. Also, the seniority numbers are likely too high. The Coast Sustainability Trust only paid an average of \$16,120 per employee. Even going from 7 to 10 days should only boost that average to about \$23,000.

**Most likely total is based on \$300/day for both the Coast and the Interior, or \$70,375,907**



Pages 293 through 298 redacted for the following reasons:

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2002/BCFRT

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## FORESTRY REVITALIZATION ACT

SBC 2003, c. 17

Consolidated to October 21, 2004

[last amendments: 2004 Bill 65]

### *Contents*

#### *Section*

- 1 Definitions
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## Definitions

1 (1) In this Act:

**"group of licences"** means 2 or more licences that

- (a) are listed in an item of the Schedule under a group name assigned to them in Column 1 of that item, and
- (b) are each identified by licence number in Column 2 of that item;

**"licence"** means a licence that is replaceable under the *Forest Act* and is a

- (a) forest licence,
- (b) tree farm licence, or
- (c) timber sale licence;

**"timber licence"** means a timber licence

- (a) that describes an area of Crown land that is not in a tree farm licence area, and
- (b) is held by a person who is the holder of a licence in a group of licences;

**"ungrouped licence"** means a licence that is

- (a) mentioned in an item of the Schedule separately from other licences, and
- (b) identified by licence number in Column 2 of that item

but does not include a licence in a group of licences.

(2) Words and expressions used in this Act but not defined in subsection (1) or in a regulation under section 13 (2) (a) have the same meanings as in the *Forest Act*.

### Harvesting rights reduced for timber licences and certain replaceable licences

- ➔ 1.1 For the purposes of sections 2 (3) and 3 (3), **"allowable annual cut"** in relation to a tree farm licence in a group of licences means the allowable annual cut available to its holder. ←

### Harvesting rights reduced for timber licences and certain replaceable licences

- 2 (1) The allowable annual cut of an ungrouped licence identified in an item of the Schedule is reduced by the amount specified in Column 3

of that item.

- (2) Each area of Crown land described in a timber licence is reduced by 20%.
- (3) The total of the allowable annual cuts of the licences in a group of licences listed in an item of the Schedule is reduced by the amount specified in Column 3 of that item opposite the group name, assigned in Column 1, under which the licences are listed.

### Minister's orders

- 3 (1) ➔By one or more orders in writing, ◀ the minister
- (a) must attribute a reduction in area under section 2 (2) in equal or unequal portions, specified in the order, to one or more of the timber licences held by a licensee that is the holder of one or more licences in a group of licences, and
  - (b) for a timber licence to which all or a part of the reduction referred to in paragraph (a) is attributed, may provide that the reduction is to be accomplished by means of
    - (i) one reduction, or
    - (ii) a series of reductions occurring on different dates specified in an order.

- ➔ (1.1) By one or more orders in writing, the minister must specify, for each of the timber licences referred to in subsection (1), the part of the area of Crown land described in the timber licence that
- (a) remains after
    - (i) the reduction made by section 2 (2), and
    - (ii) the attribution under subsection (1), or
  - (b) is deleted from the timber licence as a result of the reduction and attribution. ◀

- (2) ➔By one or more orders in writing, ◀ the minister
- (a) must attribute a reduction of allowable annual cut under section 2 (3) in equal or unequal portions, specified in the order, to one or more of the licences in a group of licences, and
  - (b) for a licence to which all or a part of the reduction referred to in paragraph (a) is attributed, may provide that the reduction is to be accomplished by means of
    - (i) one reduction, or
    - (ii) a series of reductions occurring on different dates specified in an order.

- (3) The allowable annual cut of a licence to which the minister attributes all or part of a reduction made under section 2 (3) is reduced by the amount attributed by the order to that licence.
- ➔ (4) By one or more orders in writing, the minister may specify, for each tree farm licence in a group of licences, the area of Crown land in the tree farm licence area that
- (a) remains after the reduction made by subsection (3), or
  - (b) is deleted from the tree farm licence area as a result of the reduction.◀
- ➔ (5) A minister's order under this section
- (a) may be made or amended on any date in the 3 years after March 31, 2003,
  - (b) may differ for different timber, places or transactions or for different licences or timber licences, and
  - (c) may specify a date for subsection (5.1) that is subsequent to the date the order is made.◀
- ➔ (5.1) On
- (a) the date when a minister's order under this section is made, if no subsequent date is specified for this subsection under subsection (5) (c), or
  - (b) the subsequent date, if one is specified for this subsection under subsection (5) (c),
- the minister's order
- (c) is deemed to have come into force on March 31, 2003, and
  - (d) is retroactive to the extent necessary to give it effect on and after March 31, 2003.◀
- (6) Written notice of an order under this section must be delivered to the holder of a
- (a) licence, or
  - (b) timber licence
- that is affected by the order.

#### **Provision of information**

- 4 (1) The minister, by written notice, may require the holder of an ungrouped licence, a timber licence or a licence in a group of licences, at the holder's expense, to provide information that the minister considers necessary for the purposes of the orders referred to in section 3.

- (2) At the time and in the form and manner required by the minister, the holder of an ungrouped licence, a timber licence or a licence in a group of licences must provide the required information to the minister.
- (3) A holder of an ungrouped licence, a timber licence or a licence in a group of licences who contravenes subsection (2) commits an offence.

#### **Deemed amendments to affected timber licences and other licences**

- 5 (1) An ungrouped licence referred to in section 2 (1) is deemed amended to reflect the reduction under section 2 (1).
- (2) A timber licence referred to in section 2 (2) is deemed amended →to reflect the minister's orders under section 3 (1) and (1.1).←
- (3) A licence referred to in section 2 (3) is deemed amended →to reflect the minister's orders under section 3 (2) and (4).←

#### **Compensation**

- 6 (1) Each holder of an ungrouped licence is entitled to compensation from the government for a reduction under section 2 (1) of the allowable annual cut of the ungrouped licence, in an amount equal to the value, for the unexpired portion of the term of the licence, of the harvesting rights taken by means of the reduction.
- (2) Each holder of a timber licence is entitled to compensation from the government in respect of the part, if any, of a reduction in the area of Crown land described in the timber licence that is made under section 2 (2) and that is attributed under section 3 (1) to that licence in an amount equal to the value of the harvesting rights taken by means of the reduction.
- (3) Each holder of a licence in a group of licences is entitled to compensation from the government in respect of the part, if any, of a reduction of the allowable annual cut of the licence that is made under section 2 (3) and that is attributed under section 3 (2) to that licence, in an amount equal to the value, for the unexpired portion of the term of the licence, of the harvesting rights taken by means of the reduction.
- (4) In addition to the compensation to which the holder of an ungrouped licence, a timber licence or a licence in a group of licences is entitled under subsection (1), (2) or (3), the holder is entitled to compensation

from the government in an amount equal to the value, determined under the regulations, of improvements made to Crown land that

- (a) are, or have been, authorized by the government,
- (b) are not improvements to which section 174 of the *Forest Practices Code of British Columbia Act* applies, and
- (c) are not, or have not been, paid for by the government under the Forest Act or the former Act as defined in the *Forest Act*.

(5) An entitlement to compensation under this section vests in the holder to which it applies on March 31, 2003.

(6) A dispute between the minister and the holder of an ungrouped licence, a timber licence or a licence in a group of licences as to the amount of the compensation to which the holder is entitled under this section must be submitted to arbitration under the *Commercial Arbitration Act*.

(7) Repealed. [2004-36-131]

#### **Limit on compensation**

7 (1) In this section, "**compensation**" includes damages.

(2) The compensation to which the holder of an ungrouped licence, of a timber licence or of a licence in a group of licences, is entitled under section 6 is limited to the amount of compensation determined in relation to that licence under this Act.

(3) No action lies, and an action or other proceeding must not be brought or continued, against the government for compensation

- (a) arising out of this Act,
- (b) because of any of the things specified in or under this Act, or
- (c) because of any of the things specified in or under this Act in combination with any or all of the other things specified in or under this Act,

in an amount that exceeds the amount limited under subsection (2).

(4) The *Expropriation Act* does not apply to a reduction under section 2 or 3 of this Act or to anything done by or under a minister's order referred to in section 3 of this Act.

#### **Act to be given effect**

8 (1) This Act must be applied to and must be given effect in every action

or other proceeding whether commenced before, on or after March 31, 2003.

- (2) This Act must not be construed as lacking effect, whether retroactive or otherwise, in relation to any matter because it makes no specific reference to that matter.

#### **Appropriation for compensation**

- 9 In the 2002-2003 fiscal year of the government, the minister is authorized to pay not more than \$200 million out of the consolidated revenue fund for the purpose of providing compensation to which holders of ungrouped licences, of timber licences or of licences in a group of licences are entitled under section 6.

#### **BC Forestry Revitalization Trust**

- 10 (1) In this section, "**BC Forestry Revitalization Trust**" refers to the trust
- (a) that has been created under that name by the deed of trust, dated for reference as of March 17, 2003, between Her Majesty the Queen in Right of the Province of British Columbia, as represented by the minister, and the Bank of Nova Scotia Trust Company, the initial trustee, which deed of trust sets out the terms and conditions of the BC Forestry Revitalization Trust, and
  - (b) the purpose of which, under Part 2 of the deed of trust, is to mitigate adverse financial impacts suffered by any eligible person, as described in the deed of trust, as a result of restructuring of the forestry sector and forestry operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.
- (2) A true copy of the BC Forestry Revitalization Trust must be kept on file, and made available for public inspection without charge, in each regional office of the ministry.
- (3) For the purposes of section 24 of the *Perpetuity Act*, the BC Forestry Revitalization Trust is a trust for a specific noncharitable purpose that creates no enforceable equitable interest in a specific person.
- (4) In the 2002-2003 fiscal year of the government, the minister must pay \$75 million out of the consolidated revenue fund to the BC Forestry Revitalization Trust.

**Balanced Budget and Ministerial Accountability Act**

- 11 For the purposes of sections 5 (1) and 6 (1) of the *Balanced Budget and Ministerial Accountability Act* in relation to the Minister of Forests for the 2002-2003 fiscal year, the estimated amount under section 6 (1) of that Act is the sum of the amounts appropriated
- (a) for the operating expenses for which that minister is responsible in the main estimates for that fiscal year, and
  - (b) under sections 9 and 10 (4) of this Act.

**Clarification of scheduled items**

- 12 The Lieutenant Governor in Council, by regulation, may amend the Schedule to correct, as necessary, the names of licensees itemized in Column 1 and the licence numbers itemized in Column 2.

**Regulations**

- 13 (1) The Lieutenant Governor in Council may make regulations referred to in section 41 of the *Interpretation Act*.
- (2) Without limiting subsection (1), the Lieutenant Governor in Council may make regulations
- (a) defining a word or expression not otherwise defined in this Act, and
  - (b) for the purposes of section 6, prescribing respecting value, including but not limited to
    - (i) determining value and defining the components that comprise value,
    - (ii) prescribing methods of evaluation for use in determining value,
    - (iii) prescribing factors to be taken into account in an evaluation,
    - (iv) defining the role of evaluators in a determination of value and prescribing qualifications for evaluators that are prerequisite to their participation in the determination of value, and
    - (v) prescribing requirements for the selection of arbitrators.
- (3) A regulation made under this Act may
- (a) be made applicable generally or to a specific person, entity, thing or transaction, or class of persons, entities, things or transactions,
  - (b) for the purpose of the regulation, define classes of timber licence holders and of licence holders, other persons or entities,

- (c) for the purpose of the regulation, define classes of things or transactions, and
- (d) provide differently for different persons, entities, things or transactions, or for different classes of persons, entities, things or transactions.
- (4) In making a regulation under this Act, the Lieutenant Governor in Council may
- (a) delegate a matter to a person, and
- (b) confer a discretion on a person.
- (5) Regulations under this section may be made retroactive to March 31, 2003 or to a later date the Lieutenant Governor in Council may specify by regulation and a regulation made retroactive in accordance with this subsection is deemed to have come into force on the date specified in the regulation.

### Schedule

<b>Item</b>	<b>Column 1 Licensees</b>	<b>Column 2 Licence Number</b>	<b>Column 3 Allowable Annual Cut (cubic metres)</b>
1	<b>Abitibi-Consolidated Company of Canada</b>	A15385	183 125
2	<b>Ainsworth Lumber Co. Ltd.</b>	A18700	29 634
3	<b>Apollo Forest Products Ltd.</b>	A18156	4 186
4	<b>Buffalo Head Forest Products Ltd.</b>	A16884	22 928
5	<b>CANFOR GROUP</b>		1 556 012
	Canadian Forest Products Ltd.	A19208	
	Canadian Forest Products Ltd.	A19213	
	Canadian Forest Products Ltd.	A19223	
	Canadian Forest Products Ltd.	A19233	
	Canadian Forest Products Ltd.	A16824	
	Canadian Forest Products Ltd.	A16828	
	Canadian Forest Products Ltd.	A18151	
	Canadian Forest Products Ltd.	A18154	
	Canadian Forest Products Ltd.	A18165	
	Canadian Forest Products Ltd.	A18167	
	Canadian Forest Products Ltd.	A20000	

	Canadian Forest Products Ltd.	A20007	
	Canadian Forest Products Ltd.	A40873	
	Canadian Forest Products Ltd.	TFL30	
	Canadian Forest Products Ltd.	TFL48	
	Canadian Forest Products Ltd.	TFL37	
6	<b>Carrier Lumber Ltd.</b>	A18158	13 257
7	<b>DOMAN GROUP</b>		685 216
	Doman Industries Limited	A16845	
	Doman-Western Lumber Ltd.	A16847	
	Doman-Western Lumber Ltd.	A19205	
	Doman-Western Lumber Ltd.	A19216	
	Doman-Western Lumber Ltd.	A19228	
	Doman-Western Lumber Ltd.	A19231	
	Western Forest Products Limited	A19240	
	Doman-Western Lumber Ltd.	TFL19	
	Western Forest Products Limited	TFL25	
	Western Forest Products Limited	TFL6	
8	<b>DUNKLEY GROUP</b>		2 297
	Dunkley Lumber Ltd.	A19981	
	Dunkley Lumber Ltd.	TFL53	
9	<b>FEDERATED COOPERATIVES GROUP</b>		30 652
	Federated Co-operatives Limited	A18670	
	Federated Co-operatives Limited	A18680	
	Federated Co-operatives Limited	TFL33	
10	<b>GORMAN BROS. LUMBER GROUP</b>		7 030
	Gorman Bros. Lumber Ltd.	A18671	
	Gorman Bros. Lumber Ltd.	A20173	
11	<b>HUSBY FOREST PRODUCTS GROUP</b>		6 109
	Husby Forest Products Ltd.	A16869	
	Sitkana Timber Ltd.	A16871	
12	<b>INTERFOR GROUP</b>		579 038
	International Forest Products Limited	A16841	
	International Forest Products Limited	A16850	
	International Forest Products Limited	A19203	
	International Forest Products Limited	A19209	

	International Forest Products Limited	A19220	
	International Forest Products Limited	A19232	
	International Forest Products Limited	A19235	
	International Forest Products Limited	A19238	
	International Forest Products Limited	A18693	
	International Forest Products Limited	TFL10	
	International Forest Products Limited	TFL38	
	International Forest Products Limited	TFL45	
	International Forest Products Limited	TFL54	
12.1	<b>Lakeland Mills Ltd.</b>	A18163	12 457
13	<b>LIGNUM GROUP</b>		46 972
	Lignum Limited	A20003	
	Lignum Limited	A20018	
14	<b>LOUISIANA PACIFIC GROUP</b>		73 678
	LP Engineered Wood Products Ltd.	A17645	
	LP Engineered Wood Products Ltd.	A18669	
	LP Engineered Wood Products Ltd.	TFL55	
15	<b>NEW SKEENA FOREST PRODUCTS GROUP</b>		337 612
	New Skeena Forest Products Inc.	A16829	
	New Skeena Forest Products Inc.	A16831	
	Kitwanga Lumber Co. Ltd.	A16833	
	New Skeena Forest Products Inc.	A16835	
	Orenda Logging Ltd.	A16883	
	New Skeena Forest Products Inc.	TFL1	
16	<b>POPE &amp; TALBOT GROUP</b>		199 299
	Pope & Talbot Ltd.	A18969	
	Pope & Talbot Ltd.	A20207	
	Pope & Talbot Ltd.	TFL23	
	Pope & Talbot Ltd.	TFL8	
17	<b>RIVERSIDE GROUP</b>		383 982
	Riverside Forest Products Limited	A18667	
	Riverside Forest Products Limited	A18689	
	Riverside Forest Products Limited	A18697	
	Riverside Forest Products Limited	A19993	
	RFP Timber Ltd	A20015	

	RFP Timber Ltd.	A20016	
	Riverside Forest Products Limited	A20019	
	Riverside Forest Products Limited	A20170	
	Riverside Forest Products Limited	A20191	
	Riverside Forest Products Limited	TFL49	
18	<b>Repealed. [2004-36-134]</b>		
19	<b>SLOCAN GROUP</b>		813 612
	Slocan Forest Products Ltd.	A15384	
	Slocan Forest Products Ltd.	A15430	
	Tackama Forest Products Ltd.	A17007	
	Plateau Forest Products Ltd.	A18157	
	Slocan Forest Products Ltd.	A18688	
	Slocan Forest Products Ltd.	A18979	
	Slocan Forest Products Ltd.	A20011	
	Slocan Forest Products Ltd.	A20192	
	Slocan Forest Products Ltd.	A30176	
	Slocan Forest Products Ltd.	TFL18	
	Slocan Forest Products Ltd.	TFL03	
20	<b>STUART LAKE LUMBER Co. LTD.</b>	A18169	495
21	<b>TEAL CEDAR PRODUCTS GROUP</b>		48 078
	Teal Cedar Products Ltd.	A18699	
	Teal Cedar Products Ltd.	A19201	
22	<b>TEMBEC GROUP</b>		189 310
	Tembec Industries Inc.	A18978	
	Tembec Industries Inc.	A19040	
	Tembec Industries Inc.	A20212	
	Tembec Industries Inc.	TFL14	
22.1	<b>The Pas Lumber Company Ltd.</b>	A18171	76 385
23	<b>TIMBERWEST GROUP</b>		201 344
	TFL Forest Ltd.	A16870	
	TFL Forest Ltd.	A20913	
	TFL Forest Ltd.	A29159	
	TFL Forest Ltd.	TFL46	
	TFL Forest Ltd.	TFL47	

24	<b>TOLKO GROUP</b>		246 595
	Tolko Industries Ltd.	A18672	
	Tolko Industries Ltd.	A18686	
	Tolko Industries Ltd.	A18696	
	Tolko Industries Ltd.	A20010	
25	<b>WELDWOOD GROUP</b>		417 402
	Babine Forest Products Limited	A16823	
	Babine Timber Limited	A16825	
	Weldwood of Canada Limited	A18172	
	Weldwood of Canada Limited	A20001	
	Weldwood of Canada Limited	A20013	
	Weldwood of Canada Limited	A20017	
	Weldwood of Canada Limited	TFL5	
26	<b>WEST FRASER GROUP</b>		857 934
	West Fraser Mills Ltd.	A13840	
	West Fraser Mills Ltd.	A16826	
	West Fraser Mills Ltd.	A16827	
	West Fraser Mills Ltd.	A16830	
	West Fraser Mills Ltd.	A16882	
	West Fraser Mills Ltd.	A16885	
	West Fraser Mills Ltd.	A18162	
	West Fraser Mills Ltd.	A18690	
	West Fraser Mills Ltd.	A20002	
	West Fraser Mills Ltd.	A20005	
	West Fraser Mills Ltd.	A20020	
	West Fraser Mills Ltd.	A20021	
	West Fraser Mills Ltd.	TFL41	
	West Fraser Mills Ltd.	TFL52	
27	<b>WEYERHAEUSER GROUP</b>		1 200 694
	Weyerhaeuser Company Limited	A19225	
	Weyerhaeuser Company Limited	A19244	
	Weyerhaeuser Company Limited	A18674	
	Weyerhaeuser Company Limited	A18694	
	Weyerhaeuser Company Limited	A18698	
	Weyerhaeuser Company Limited	A18970	

	Weyerhaeuser Company Limited	TFL15	
	Weyerhaeuser Company Limited	TFL35	
	Weyerhaeuser Company Limited	TFL39	
	Weyerhaeuser Company Limited	TFL44	

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**BC Forestry Revitalization Trust  
Advisory Board Meeting  
10:30 am, September 8, 2004  
Truck Loggers Association Boardroom  
725 – 815 West Hastings Street, Vancouver  
Agenda**

1. Introductions
2. Discussion with Doug Konkin, Deputy Minister of Forests, regarding the outcome of the BCFRT request of the Minister of Forests that more funds be made available.
3. Trustee report on Trust Activities to date:
  - a. Investing and Accounting for Trust Funds
  - b. Meetings held to date
  - c. Research done to date
  - d. Most recent estimates of cost of Mitigation
  - e. Review of Sensitivity Analysis.
4. Discussion of draft Employee Mitigation Guidelines.
5. Discussion of draft Contractor Mitigation Guidelines.
6. Other business
7. Time and place for next meeting

## Konkin, Doug FOR:EX

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**From:** Eric van Soeren [eric@vansoeren.net]  
**Sent:** Wednesday, September 01, 2004 11:58 AM  
**To:** Affleck, Peter FOR:IN; Girvan, Jim FOR:IN; Monty Mearnes; Tim Menning; Paine, Julian C FOR:EX; Darrel Wong; Berni Zimmermann  
**Cc:** Konkin, Doug FOR:EX  
**Subject:** BCFRT Guidelines and Advisory Board Meeting reminder



Contractor Mitigation  
Guideli...



Employee Severance  
Guidelines....

Peter, Jim, Monty, Tim, Julian, Darrel, Berni and

Doug,

This is a reminder of our next BCFRT Advisory Board meeting at 10:30 on September 8, 2004 at the TLA office at 725 - 815 West Hastings Street in Vancouver. The meeting will start with Doug Konkin telling us what the Ministry of Forests can do to help us with our cash crunch. I then want to get into a discussion of the guidelines we need to establish for workers and contractors. I will also provide you with the most recent estimates of the probable cost of the proposed mitigation.

Attached are draft employee and contractor mitigation guidelines. They are loosely based on the Coast Sustainability Trust, the Nisga'a Final Agreement settlement of contractor claims, discussions with each of you, the specific affects of the Forestry Revitalization Act, and financial constraints faced by the BCFRT.

Please feel free to contact me before the meeting if you want to discuss anything in the draft guidelines.

Regards,

Eric

=====

Eric van Soeren  
phone: 604-940-0850  
fax: 604-940-0858  
email: eric@vansoeren.net

## **Guidelines for major licensees and contractors with respect to loss of replaceable contracts as a direct result of Forestry Revitalization Act Timber Reallocation:**

**The Province specifically denies any legal obligation to provide compensation to Contractors affected by the Forestry Revitalization Act timber reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust as a matter of policy to consider the potential of providing redress for certain claims of Contractors with replaceable contracts that are directly impacted by the Forestry Revitalization Act. This policy approach does not extend beyond the BC Forestry Revitalization Trust and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on logging Contractors.**

### **1. Application:**

These guidelines are intended to apply to all Contractors engaged by licensees through replaceable contracts who claim redress with respect to impacts that arise directly from timber reallocations resulting from the Forestry Revitalization Act (FRA).

The BC Forestry Revitalization Trust (BCFRT) will accept claims for redress received from impacted contractors on an ongoing basis, as those impacts are confirmed through the timber reallocation process. Only replaceable contracts will be considered for mitigation. The BCFRT will not accept applications for mitigation related to non-replaceable contracts.

The following outlines the process:

- Step 1. Before the BCFRT can become involved in mitigation to Contractors, the Ministry of Forests and the major licensees affected by the FRA must agree on the areas to be relinquished by the major licensees, and
- Step 2. The licensees and the Contractors must finalize which of the Contractors will be affected by the timber reallocation. This can be a time consuming and complicated process. It is clearly explained in a document prepared by Davis & Company, and is available by following the links on the BCFRT website at [www.bcftr.com](http://www.bcftr.com).
- Step 3. The Contractor and the Trustee of the BCFRT will resolve the Contractor's claim for redress of impact in accordance with these Guidelines.
- Step 4. The Contractor will provide detailed information regarding the nature of impacts and losses experienced, the measures used to mitigate those impacts, and any other costs associated with the impact of the FRA for which it is seeking redress.

- Step 5. The Contractor will respond promptly to requests for additional or supplemental information from the Province, and will allow representatives of the BCFRT reasonable access to sites and equipment which the Contractor claims have been impacted by the FRA and, access to and the right to review and audit, records and source documents maintained by the Contractor to the extent that those documents pertain to the facts surrounding the claim of impact submitted by the Contractor.
- Step 6. The Contractor will provide detailed information relating to employees, if any, that must be severed as a result of the FRA timber reallocation.
- Step 7. The Licensee will confirm the contract information, the reasonableness of Contractor claims of injury or loss, and will obtain a release from the Contractor regarding the Licensee's obligations to the replaceable Contractor.

## 2. Definitions:

- 2.1 **Actual Work Volume** means the average actual production achieved under a replaceable contract during the Baseline Period, expressed in the standard output unit of measure for that contract:
- 2.1.1 With respect to a replaceable full phase timber harvesting contract, should the Actual Work Volume exceed the Nominal Work Volume, the Nominal Work Volume shall apply.
- 2.1.2 Where the Nominal Work Volume has changed during the Baseline Period, the weighted average Nominal Work Volume for the Baseline Period will be used in all calculations.
- 2.1.3 Where a Contractor has a mix of replaceable and non replaceable contracts with the same Licensee, the total amount of work done on both types of contracts during the Baseline Period will be considered, and the Actual Work Volume used for purposes of calculating mitigation will be based on the nominal ratio between the replaceable and non replaceable contracts.
- 2.2 **Available Work Volume** means the Nominal Work Volume minus the Impacted Volume.
- 2.2.1 Where the Actual Work Volume exceeds the Nominal Work Volume, the Available Work Volume will be calculated by multiplying the difference (Nominal Work Volume minus the Impacted Volume) by a fraction having as its numerator, the Average Work Volume, and as its denominator, the Nominal Work Volume.
- 2.3 **Average Contract Rate** means the amount calculated by dividing the total contract billings by the total production volume for the Baseline Period, expressed as dollars per standard output unit of measure for that contract.

- 2.4 **Baseline Period** means:
- 2.4.1 With respect to the calculation of Actual Work Volume for a replaceable contract, the portion of the calendar year prior to the Date of Impact, plus the previous seven full calendar years.
  - 2.4.2 With respect to the calculation of the Average Contract Rate for a replaceable contract, the portion of the calendar year prior to the Date of Impact, plus the previous two full calendar years.
  - 2.4.3 With respect to any calculation pertaining to a contract where the period of time the contractor has held the contract is less than the Baseline Period, the lesser of the period of time from the origin of the contract to the Date of Impact, or the period of time from the acquisition of the contract by the contractor to the Date of Impact, shall be used as the Baseline Period.
- 2.5 **Contractor** means a contractor as defined in section 152 of the Forest Act.
- 2.6 **Contribution to Profit** means that portion of the Average Contract Rate remaining after the Contractor pays all direct costs associated with the delivery of a standard unit of work under the contract. For the purposes of this Framework, the Contribution to Profit is:
- 2.6.1 10% for a replaceable full phase contract,
  - 2.6.2 7% for a replaceable single phase falling, bucking, grading, hauling or booming contract, and
  - 2.6.3 10% for all other replaceable single phase contracts.
- 2.7 **Date of Impact** means the effective date of the notice of impact to the Contractor.
- 2.8 **Economic Multiple** means the multiple of the annual net cash flow available from the contract used by business evaluators to estimate the economic value of a contract. The Economic Multiple is adjusted to reflect perceived business risk. The following Economic Multiples will apply in the calculation of the Impact Payment:
- 2.8.1 With respect to a replaceable full phase contract, 4 years, and
  - 2.8.2 With respect to a replaceable single phase contract, 3 years.
- 2.9 **Eligible Volume Impact** means that portion of the Impacted Volume that is eligible for inclusion in the calculation of an Impact Payment being the difference calculated as the Actual Work Volume minus Available Work Volume, providing that difference is a positive number. No Eligible Volume Impact arises where the Eligible Volume Impact is a negative number or zero, as the Contractor remains able

to achieve the historic level of work (the Actual Work Volume), despite a reduction in the Nominal Work Volume. Illustrative examples of this principle are contained in Appendix A to these Guidelines.

- 2.10 **Aggregate Impact Payment** means the aggregate of the Impact Payments which the BCFRT and a Contractor have agreed is payable to that Contractor.
- 2.11 **Impact Payment** means the amount which the BCFRT and a Contractor have agreed is payable to that Contractor under these Guidelines with respect to the direct impact caused by the FRA on each of the following items held by the Contractor:
- 2.11.1 Replaceable full phase timber harvesting contracts,
  - 2.11.2 Replaceable single phase timber harvesting contracts,
  - 2.11.3 Immovable assets of the Contractor, which are owned or financed under a lease that is treated as a capital item for financial reporting purposes, and
- 2.12 **Impacted Volume** means:
- 2.12.1 With respect to a timber harvesting contract, the reduction in the Nominal Work Volume available under the contract, as notified in writing by the licensee, expressed in cubic meters.
  - 2.12.2 With respect to a road construction contract:
    - 2.12.2.1 Where the licensee provides specific notice in writing as to a reduction in the Nominal Work Volume available under the contract, that reduction, expressed in kilometers, shall apply, and
    - 2.12.2.2 Where no specific notice as to a reduction in the Nominal Work Volume is provided by the licensee, the Impacted Volume will be calculated as the Nominal Work Volume multiplied by the fraction having as its numerator the AAC reduction experienced by the licensee as a result of the FRA Timber Reallocation, and as its denominator, the total AAC of the licensee, prior to the FRA Timber Reallocation, expressed in kilometers.
    - 2.12.2.3 Where a Contractor holds contracts eligible under both articles 2.12.2.1 and 2.12.2.2, the contract eligible under article 2.12.2.1 will be excluded from the calculation under article 2.12.2.2.
- 2.13 **Nominal Work Volume** means the work volume available under a contract immediately prior to the Date of Impact.

### 3. Key Principles:

- 3.1 Settlement discussions will only proceed after a Contractor, who claims redress for an impact under the FRA Timber Reallocation, has agreed to the principles and processes set out in these Guidelines.
- 3.2 An Impact Payment is based in policy and is not a right set out in legislation. Each Impact Payment and Aggregate Impact Payment, agreed to under these Guidelines will be confirmed in a separate Mitigation Agreement between the Contractor and the BCFRT. The settlement agreement will contain clauses that limit the Contractor's right to commence any other proceedings or pursue any other legal remedies that may exist as a result of the FRA Timber reallocation.
- 3.3 An Impact Payment may be provided in respect of the direct impact of the FRA on each of the following:
  - 3.3.1 Replaceable full phase timber harvesting contracts,
  - 3.3.2 Replaceable single phase timber harvesting contracts, including contracts for the construction and/or maintenance of logging roads,
  - 3.3.3 Immovable assets of the Contractor, which are owned or financed under a lease that is treated as a capital item for financial reporting purposes, and
- 3.4 An Impact Payment is not payable under this Framework with respect to indirect or consequential impacts of the FRA timber reallocation.
- 3.5 As a general principle, the date of valuation for all impacts will be the Date of Impact.
- 3.6 An Impact Payment is separate from any "adjustment assistance" available under other provincial or federal/provincial arrangements and no Impact Payment is available for any claims that have been dealt with under those arrangements. In addition, no adjustment assistance is payable under those arrangements for claims in respect of which an Impact Payment was made under this Framework.
- 3.7 No Impact Payment will be paid with respect to any impact that the BCFRT reasonably considers to be a normal business risk of the Contractor.
  - 3.7.1 No Impact Payment will be paid with respect to chattel and immovable assets employed in the delivery of a non-replaceable timber harvesting contract.
- 3.8 An Impact Payment is available only with respect to demonstrated impacts directly attributable to the FRA timber reallocation. In order to pursue the process outlined

in these Guidelines a Contractor must confirm and provide, in a form satisfactory to the Province, written details of the following:

- 3.8.1 The extent to which the FRA timber reallocation was the direct cause of a reduction in a replaceable contract;
  - 3.8.2 The extent to which the Impacted Volume resulted in a loss of actual work opportunity (in other words, evidence that the impacted Contractor had active capacity to fully use the contract amount); and
  - 3.8.3 The extent to which the loss of actual work opportunity resulted in direct financial impact to the Contractor's operation.
- 3.9 An Impact Payment will only be available after completion of all Ministry of Forests mitigation processes designed to moderate impact through the substitution of replacement work volume.
- 3.10 The Contractor is obligated to mitigate the impact of the FRT timber reallocation on its business operations through all means reasonably available to it.
- 3.10.1 The Contractor must demonstrate that it discharged its duty to take all reasonable steps to mitigate the loss, before and after the effective date of the FRT timber reallocation, including during and after the transition period. This includes specifically, bona fide efforts to achieve similar contracting opportunities related to the reallocated timber.
  - 3.10.2 No Impact Payment will be paid with respect to any losses that the Contractor cannot demonstrate to the Province's satisfaction it has made efforts to mitigate.
- 3.11 Where subcontractors are used, the Contractor will be responsible for identifying that subcontractor, and allocating them their appropriate share of the calculated Impact Payment. No Impact Payments will be made to the lead Contractor until agreement is made on payments to sub-contractors.
- 3.12 Both the Contractor and sub-contractor are responsible for identifying their employees that should receive severance. Severance will not be subtracted from the Impact Payment. Severance will be paid by the employer, and the employer will be reimbursed by the BCFRT.
- 3.13 Contractors and sub-contractors may receive mitigation payments even though they find alternate work and therefore do not have to sever any employees. If they sever employees and cause the ex-employees to receive severance paid by the BCFRT, neither they nor any affiliated company can rehire those employees for 12 months. If they do, the employer who paid the severance will be required to reimburse the BCFRT for the entire severance paid to the employee with BCFRT funds.

#### **4. Impact Assessment:**

##### General:

- 4.1 The estimate of each Impact Payment is subject to a test of market and economic reasonableness, taking into consideration “reasonable expectations” in the ordinary course of business, actual contract terms, Forest Act provisions, and normal business risks.

##### Impacts on Work Volumes:

- 4.2 The Impact Payment respecting impacts on work volumes will be calculated as:
- The Actual Work Volume, minus
  - The Available Work Volume, with that difference being the Eligible Volume Impact.

To the extent the Eligible Volume Impact is a positive number, the Impact Payment will be calculated as:

- The Eligible Volume Impact, multiplied by
  - The Average Contract Rate, multiplied by
  - The Contribution to Profit, multiplied by
  - The Economic Multiple.
- 4.2.1 The Impact Payment payable and the calculations set out in Article 4.2 are subject to the following maximum caps:
- 4.2.1.1 With respect to full phase timber harvesting contracts on the Coast, as defined by the Ministry of Forests, \$16.00 per cubic meter of Eligible Volume Impact.
  - 4.2.1.2 With respect to full phase timber harvesting contracts in the Interior, as defined by the Ministry of Forests, \$10.00 per cubic meter of Eligible Volume Impact.
  - 4.2.1.3 With respect to single phase falling and bucking contracts, \$1.50 per cubic meter of Eligible Volume Impact.
  - 4.2.1.4 With respect to single-phase road building contracts, \$30,000 per kilometer of road building opportunity lost.

##### Redundant Assets – General:

- 4.3 The onus is on the Contractor to demonstrate to the BCFRT's satisfaction that an asset is redundant, and that the redundancy was caused directly by work volume reductions resulting from the FRA Timber Reallocation.
- 4.4 To the extent practicable, in situations where redundant immovable assets remain in the possession of the Contractor during the period after the Date of Impact, the Contractor has an obligation to maintain redundant immovable assets in use in other areas of the Contractor's operations, or try to find alternative uses for the assets.
  - 4.4.1 The Impact Payment, otherwise payable with respect to a redundant immovable asset, will be reduced by the revenue generated (net of costs), or revenue that ought to have been generated, from the assets during such transition periods.
- 4.5 The Province will pay the cost of any valuation or appraisal required to support the calculation of the Impact Payment.

#### Impacts on Chattel Assets:

- 4.6 The FRA caused a reallocation of timber harvesting rights, but no reduction in allowable annual cut. In most parts of the province the harvesting side of the forest industry is very active. It appears that the FRA has not caused any reduction in the value of harvesting equipment and, province wide, there is little or no redundant equipment. Any contractors that lose replaceable contracts, cannot find alternate contracts, and therefore choose to sell their logging or road building equipment, should be able to sell their redundant equipment into a buoyant market and therefore not suffer financially on the sale of equipment. Therefore;
  - 4.6.1 The BCFRT will not provide any mitigation for normal moveable redundant equipment.

#### Impacts on Immovable Assets:

- 4.7 Where an immovable asset, such as a camp or other permanent fixture, is located in an area where 100% of the volume available to the contractor has been eliminated as a result of a FRA timber reallocation, that immovable asset will be considered to be impacted.
  - 4.7.1 Where an immovable asset is located near, but not in, an area lost to the contractor as a result of the FRA timber reallocation, that camp or fixture will not be considered impacted. Any change in the utility of the camp or fixture resulting from the change in AAC occurring as part of the Final Settlement will be considered to be a normal business risk.

- 4.8 Where an immovable asset has been impacted, and the contractor chooses to receive mitigation for that impact, it will be transferred in its current state to the province at the date of payment of the Mitigation amount.
- 4.8.1 The BCFRT will provide mitigation for the immovable asset granted to the province by the Contractor at its estimated economic value, immediately prior to the FRA Timber Reallocation, without considering the impact that the pending FRA Timber Reallocation might have on the market existing at that time.
- 4.8.1.1 If the BCFRT and the Contractor are unable to agree as to the market value of the asset, each will select an evaluator/appraiser, independent of their interests, for the purpose of confirming an estimate of economic value.
- 4.8.1.2 The two evaluators will each submit an estimate of value. Providing the two estimates of value do not differ by more than 10%, the average will be accepted as the economic value.
- 4.8.1.3 If the two evaluations differ by more than 10%, the two evaluators will select a third evaluator, acceptable to and independent of both parties, whose opinion of value will be binding on the parties.
- 4.8.1.4 Evaluators will consider in their estimate of the economic value the viability of the camp or fixture as a result of its location with respect to future work potential (prior to the FRA Timber Reallocation). The expected useful life of the camp or fixture may be reduced, as a normal business risk, as a result of limited work potential in the area.
- 4.8.1.5 In the absence of a demonstrated arm's length market value for the asset, the economic value will be estimated as the present value of the income stream the asset could reasonably generate over its remaining useful life.
- 4.9 The Contractor has the right to remove all mobile or chattel assets from the site providing that can be done without creating new environmental or physical hazards on the site, and without creating damage to the camp or fixture that would impact the ongoing intended use of that asset.
- 4.10 Environmental or physical hazards existing on the site as at the date of impact are the responsibility of the Contractor, to the extent liability is set out in legislation.

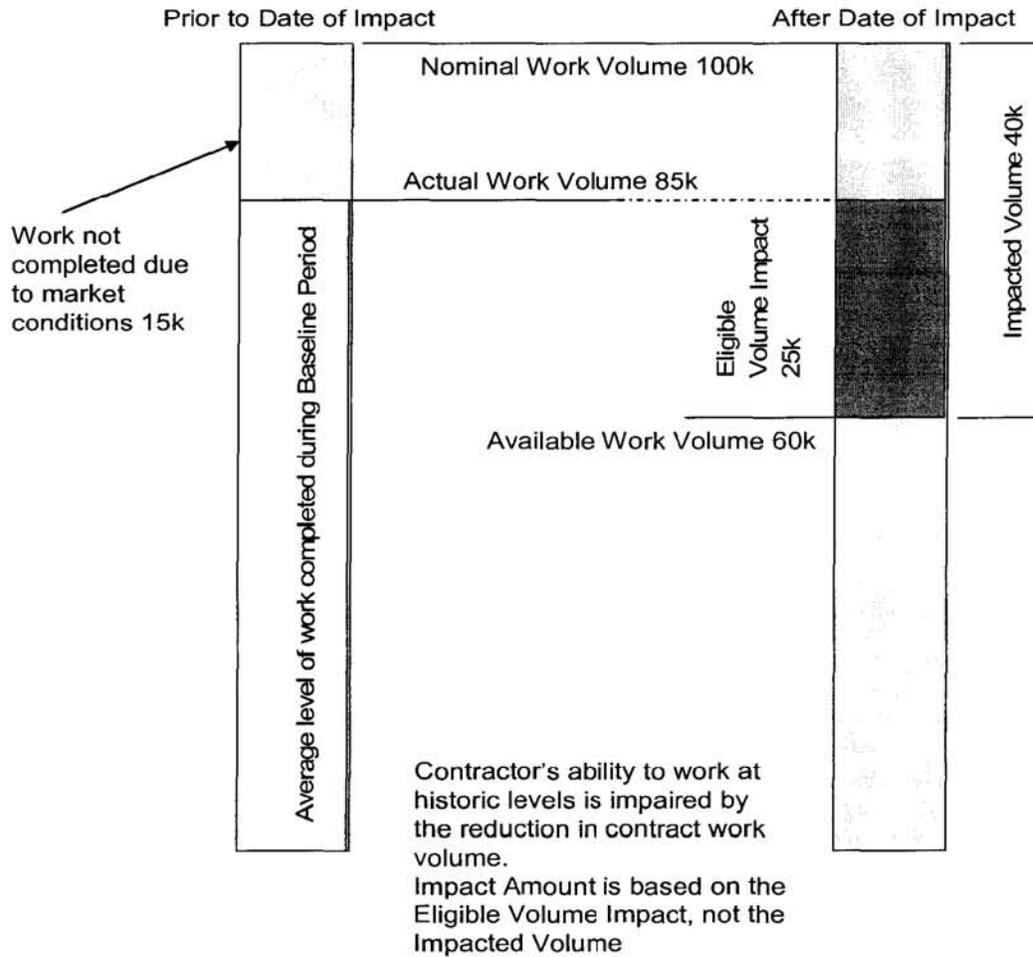
- 4.10.1 Where the Province has reason to believe a hazard might exist on the site, the Province shall inspect the site for the purpose of confirming the extent of such hazard.
  - 4.10.2 Where a hazard is identified, the cost of remediation will be estimated by the Province and the Aggregate Impact Payment, otherwise due the Contractor, will be reduced by the estimated cost of remediation.
  - 4.10.3 The estimated cost of remediation will be held in a segregated account pending completion of the work to the satisfaction of the Province.
  - 4.10.4 The Contractor has the right to complete the remediation work, at which point the funds held in the segregated account will be released to the contractor.
5. The negotiation of the Aggregate Impact Payment is considered to be incremental.
- 5.1 Where the BCFRT and the Contractor agree on an Impact Payment with respect to any discrete claim of impact, the BCFRT will document and pay out such claim.
  - 5.2 Subject to Article 3.5, the early payment of an Impact Payment may be made without limiting the Contractor's right or ability to continue with negotiations with respect to other claimed impacts. (For example, the BCFRT may pay out an agreed settlement with respect to a replaceable contract or sub-contract, while claims for other replaceable contracts with the same Contractor or redundant immovable assets remain under negotiation.)
  - 5.3 The Contractor may request the BCFRT process an interim payment respecting the Aggregate Impact Payment.
    - 5.3.1 The Contractor may request an interim payment at any time after the provision of information required under Article 1, Step 2.
    - 5.3.2 The request for an interim payment must include a statement from the Contractor confirming the Contractor has applied commercial diligence in the presentation of all information to the BCFRT with respect to this Agreement, and believes the information provided represents a complete and accurate representation of the facts surrounding the impact of the FRA timber reallocation on the Contractor.
    - 5.3.3
    - 5.3.4 The BCFRT will use its best efforts to expedite the interim payment, to ensure the payment is transmitted to the Contractor within 10 business days of receipt and acceptance of its requisition.
    - 5.3.5 As Impact Payments are confirmed they will be applied first to the repayment of the interim payment.

- 5.3.5.1 Once the interim payment has been repaid, all future Impact Payments, or portions of Impact Payments, will be paid to the Contractor.
    - 5.3.5.2 The Contractor will be required to confirm that should the actual Aggregate Impact Payment due the Contractor be less than the interim payment received by the Contractor, an overpayment situation shall exist and the Contractor will be liable for the repayment of any such overpayment.
    - 5.3.5.3 The Contractor will be required to undertake to repay any overpayment within 10 business days of notice from the BCFRT that such an overpayment exists. Should the overpayment not be repaid by the Contractor within 10 days of notice, the amount owing will bear interest from the tenth day at the rate prescribed in the *Court Order Interest Act*.
6. In the event that a replaceable phase contractor can demonstrate a serious inequity resulting from the application of these guidelines, the Trustee may consider his arguments and suggest to the Advisory Board that a modified payment be made.

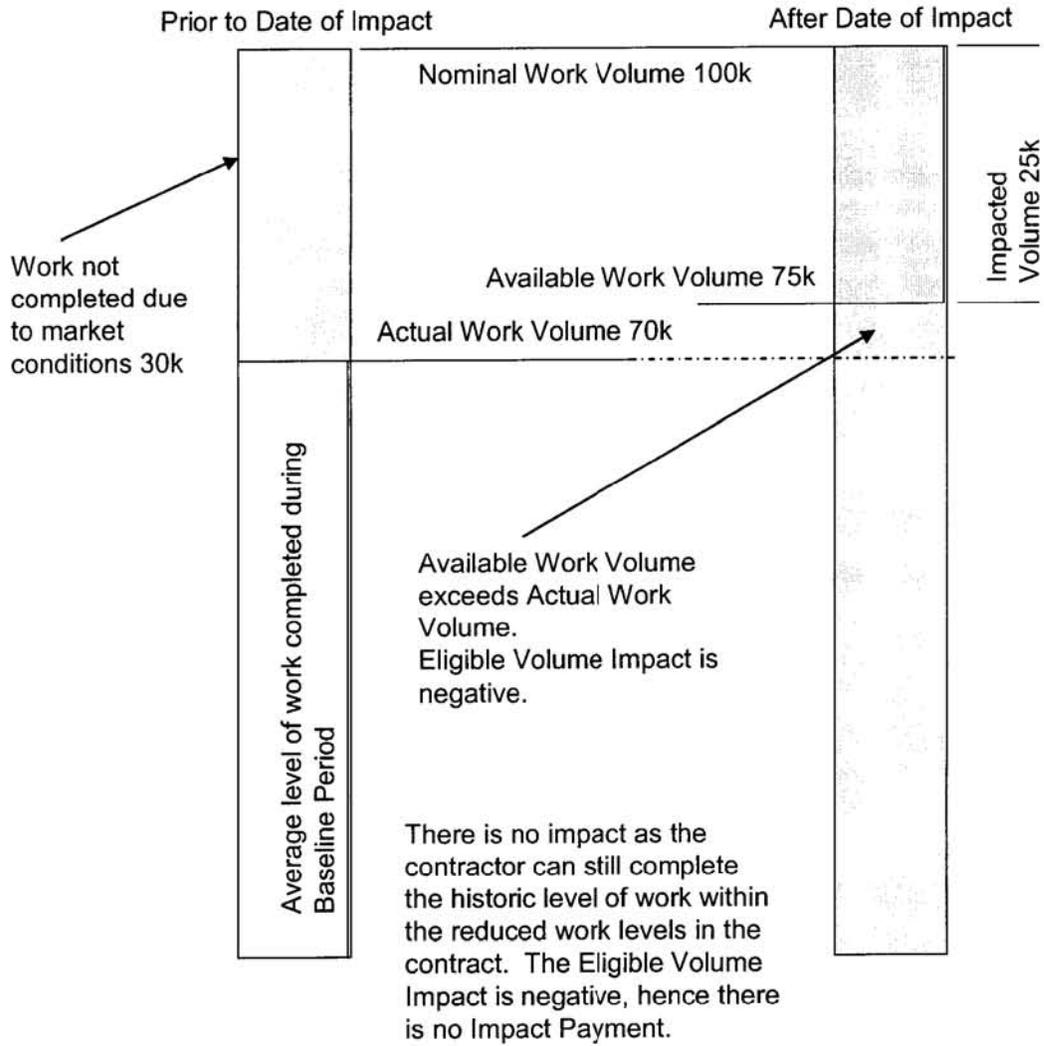
# Appendix A to Guidelines for major licensees and contractors with respect to loss of replaceable contracts as a direct result of Forestry Revitalization Act Timber Reallocation

## Illustrative Examples

Example 1: Contractor has a 100k cu m replaceable contract, but historically cut 85k cu m. Contract work volume was reduced 40k cu m as an impact of a Final Agreement.



Example 2: Contractor has a 100k cu m replaceable contract, but historically cut only 70k cu m. Contract work volume was reduced 25k cu m as an impact of a Final Agreement.



**Guidelines for major licensees and contractors with respect to severance of employees as a direct result of Forestry Revitalization Act Timber Reallocation:**

**The Province specifically denies any legal obligation to provide compensation to workers affected by the Forestry Revitalization Act Timber Reallocation provisions. However, the Province has created the BC Forestry Revitalization Trust as a matter of policy to consider, among other things, the potential of providing redress for certain claims of forest workers employed by licensees or contractors with replaceable contracts that are directly impacted by the Forestry Revitalization Act. This policy approach does not extend beyond the BC Forestry Revitalization Trust and does not limit or affect the position that the Province has taken, or may take, in court or any other legal proceeding, or any position that it may take in assessing the impacts of future government decisions on forest workers.**

The intention of these guidelines is to enable each of the major licensees and replaceable contractors that have to sever staff as a result of timber reallocation pursuant to the BC Forestry Revitalization Act (FRA) to determine the amount of mitigation payments that will be covered by the BC Forestry Revitalization Trust (BCFRT).

Once the Ministry of Forests and the major licensees affected by the FRA have agreed upon the areas to be relinquished by the major licensees, the major licensees will go through a process with their contractors to determine which contractors and or company crews will be affected by the timber reallocation. It will then be up to the licensees and contractors to determine which, if any, of their employees will need to be severed as a result of the decrease in available work.

The employer, either the licensee or the contractor as appropriate, will be responsible to conclude any negotiations regarding employee severance with their employees and/or the employees' union. No contract buy-out payments will be made to contractors until any of the contractor's employees that will be severed have been identified. However, actual severance payments will not be made unless and until the employee is actually severed.

The following guidelines will apply to employee severance:

1. The number of employees severed by either a replaceable contractor or a major licensee should be consistent with industry averages as determined by PricewaterhouseCoopers in its studies of the BC Forest Sector. This suggests that in the logging and forestry sector, including hourly, contract, and salaried employees, we would expect a maximum of approximately 0.5 employee positions lost per thousand cubic metres of lost logging opportunity on the Coast, and 0.3 employee positions lost per thousand cubic metres of lost logging opportunity in the interior.
2. In most cases the number of severed employees will be less than the maximums noted above because there is no overall allowable annual cut (AAC) reduction, and the affected contractors may find replacement contracts.

**BC Forestry Revitalization Trust**  
**Employee Mitigation Guidelines**

In the case of company crews, the licensee will be expected to try to find alternate employment for displaced forestry workers within other company operations.

3. The IWA Master Agreement will guide the amount of severance offered to employees by their employers. Therefore severance payments will be determined as follows:
  - a. On the Coast and in the Interior, 10 days of regular day's pay for each full year of continuous service, plus 7/12 of a regular day's pay for each additional full month of continuous service.
  - b. A regular day's pay for the purposes of severance on the Coast should be calculated using the method used to determine payment made to the employee on the Statutory Holiday closest to the time of severance.
  - c. A regular day's pay for the purposes of severance in the Interior should be calculated as being based on an eight hour shift equivalent.
4. In order to receive severance payments, workers must have been employed full time in the harvesting side forest industry in British Columbia as defined by the Trust Deed on March 31, 2002, or been on temporary lay-off, but worked full time for a portion of the previous year, and still have been on the seniority list on March 31, 2002. Further, they must lose or have already lost their jobs as a result of the Forestry Revitalization Act timber reallocation.
5. Severance that cannot be directly linked to Forestry Revitalization Act Timber reallocation will not be covered by the BCFRT.
6. Severance can be offered and paid for by the BCFRT even though there is not a permanent closure of the operation.
7. If employees have been moved by their employer to an alternate location or to an affiliated company, severance would not be funded by the BCFRT.
8. In order to receive severance funded by the BCFRT, the employee must actually be severed, and cannot be rehired by the same employer or an affiliated company within one year. In this context, an affiliate is any corporation or business entity controlling, controlled by or under common control with the contractor.
9. If an employee who receives severance funded by the BCFRT is re-employed by the contractor or an affiliated company within one year, the contractor that made the severance payment will be required to refund the full severance payment to the BCFRT. This restriction is required to discourage the payment of severance for what may be a normal seasonal lay-off.
10. Employees that have partially mitigated their loss by finding alternate employment may still be eligible to receive severance.
11. In the case of a partial closure of an operation, severance need not be offered only to the employees with the lowest seniority. Rather, the company, the

BC Forestry Revitalization Trust  
Employee Mitigation Guidelines

union and/or the non-union employees can negotiate to determine which employees will receive severance payments.

12. If the result of these negotiations is that more senior employees receive severance payments, and those payments are higher than if junior employees were severed, the BCFRT will pay the increased severance, up to the IWA Master Agreement standard.
13. Employees that receive voluntary severance will be expected to give up their preferential hiring rights and sign a release in the form attached to these guidelines.
14. Owner operators that receive contract buy-out payments will not be eligible for severance payments as well. However, if an owner operator has worked exclusively for one employer for a number of years, and if an appropriately calculated severance payment would provide better mitigation than a contract buy-out, then the contractor may choose to receive severance instead of a contract buy-out.

Sample Employee release form:

**Employer letterhead**

Date: \_\_\_\_\_

I, \_\_\_\_\_, hereby accept the voluntary severance pay offered to me and in exchange voluntarily terminate my employment with \_\_\_\_\_ (the company). I further acknowledge that I am accepting this voluntary payment in full and final satisfaction of any claims, statutory or otherwise, arising out of my employment and the termination of employment.

I acknowledge that I cannot be re-employed by the company or an affiliate of the company for a period of one year unless I return 100% of the severance payment to the company, so that the company can return the severance payment to the BC Forestry Revitalization Trust.

***Plus one of the following paragraphs:***

I have read the agreement between I. W. A. Canada, Local \_\_\_ and the Company dated \_\_\_\_\_ and acknowledge that by accepting this payment I relinquish all rights under the preferential hiring provisions of the IWA Master Agreement.

***Or, if no agreement has been made with the IWA,***

I acknowledge that by accepting this payment I relinquish all rights I may have under the preferential hiring provisions of the IWA Master Agreement.

***Or, in the case of a non-union company,***

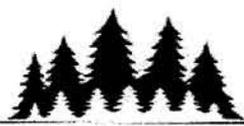
I acknowledge that by accepting this payment I relinquish any rights I may have for preferential hiring by the company.

Signed: \_\_\_\_\_  
Employee signature

2200-20/TRT

80311

Eric van Soeren, Trustee  
6705 London Drive  
Delta, B.C. V4K 4W7  
www.bcfit.com



Phone: 604-940-0850  
Cell: s.22  
Fax: 604-940-0858  
Email: eric@vansoeren.net

**BC Forestry Revitalization Trust**

June 25, 2004

Julian Paine  
Executive Director, Tenure and Revenue  
3<sup>rd</sup> Floor, 1520 Blanshard Street  
PO Box 9525  
Stn Prov Govt  
Victoria BC, V8W 9C3

Dear Julian Paine:

**Re: BC Forestry Revitalization Trust Advisory Board**

As discussed, the BC Forestry Revitalization Trust (BCFRT) was established to mitigate adverse financial impacts suffered by any Eligible Person as a result of restructuring of the forestry sector and forestry operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*.

The Trust Deed that created the BCFRT calls for an Advisory Board that represents each of the stakeholder groups. Your name was put forward by the Minister of Forests to represent the Province of BC.

I am pleased to accept the nomination and your agreement to serve on the Advisory Board. Your term of appointment is effective immediately.

For your information, the other members of the BCFRT Advisory Board are:

- |                  |                                      |
|------------------|--------------------------------------|
| Peter Affleck    | COFI (Interior Licensees)            |
| Jim Girvan       | TLA (Coastal Contractors)            |
| Monty Mcarnes    | IWA Local 1-85 (workers)             |
| Tim Menning      | ILA-CILA-NWLA (Interior Contractors) |
| Darrel Wong      | IWA Local 2171 (workers)             |
| Berni Zimmermann | CFLA (Coastal Licensees)             |

A BCFRT website is currently under construction. It will eventually contain information such as the Trust Deed, Mitigation Guidelines and quarterly reports of progress with the

...2

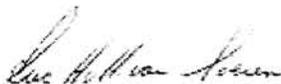
2

BCFRT. One of things I would like to include is a short description of each of the Advisory Board members. I would therefore appreciate it if you could provide me with a paragraph or two about yourself that we could post on the website.

As discussed, and confirmed by email, our first Advisory Board meeting will be at on Thursday July 15, 2004 at 10:30 am at the COFI offices, 1501 – 700 West Pender Street, Vancouver, BC, V6C 1G8.

Thank you again for accepting a position on the BCFRT Advisory Board. I look forward to our first meeting.

Yours truly,



Eric van Soeren  
Trustee



ETB  
2200-20/RT

**de Lestard, Andrea FOR:EX**

**From:** de Lestard, Andrea FOR:EX  
**Sent:** Tuesday, June 22, 2004 1:09 PM  
**To:** Foster, Doug FIN:EX  
**Cc:** Alexander, Janice E FOR:EX; Ransom, Lisa FIN:EX; Mazure, John C FIN:EX  
**Subject:** FW: 80115 FW: Q&As related to Forest Revitalization and Infastructure Trust

**Importance:** High

Doug, Doug Konkin reviewed this and made a couple of minor changes and I am now sending this on to you (see your request to Doug of June 14th -way down - in the email list.). We hope that this will suffice for what you were asking for, Doug. If you have any questions, please call me. Doug K. is away now until Friday.

Thanks.

Andrea for Doug Konkin  
356-5012

-----Original Message-----

**From:** de Lestard, Andrea FOR:EX  
**Sent:** Tuesday, June 22, 2004 11:11 AM  
**To:** Paine, Julian C FOR:EX; Alexander, Janice E FOR:EX  
**Subject:** RE: 80115 FW: Q&As related to Forest Revitalization and Infastructure Trust  
**Importance:** High

The Deputy has approved the attached with minor changes as highlighted below.

-----Original Message-----

**From:** Paine, Julian C FOR:EX  
**Sent:** Tuesday, June 22, 2004 10:19 AM  
**To:** Alexander, Janice E FOR:EX; de Lestard, Andrea FOR:EX  
**Subject:** RE: 80115 FW: Q&As related to Forest Revitalization and Infastructure Trust

Q - What was the impact of the \$200 million Ministry of Forests liability, related the Forest Revitalization Act, that has been paid out?

A - There was no impact on the 03/04 Public Accounts from the \$200 million appropriated under the *Forestry Revitalization Act* since no payments have yet been made. The amount represents the best estimate of compensation payable to forest licensees for the timber harvesting rights and improvements taken back by the Crown for reallocation to new tenure holders. It is expected that as the reallocation process proceeds to its conclusion in March 2006, licensees will begin to apply for compensation. The first payments are likely to be made in 2005.

Q - What happened to the \$75 million placed in the BC Forestry Revitalization Trust money by the Minister of Forests in 2002/03? How has the trust money been spent?

A - The *Forestry Revitalization Act* also established the Trust to **mitigate the impacts** of tenure reallocation on forestry contractors and workers. A permanent Trustee was appointed in March 2004. No benefits have been paid from the Trust to date because the reallocation process has yet to result in any worker layoffs or loss of contracts by forestry contractors. It is expected that beginning in 2005, as the first of the transfers of harvesting rights occurs, impacted workers and contractors will begin to apply for assistance from the Trust. The Trust can make payments through the end of March, 2008 at which time it will be collapsed with any remaining funds distributed to beneficiaries.

Julian C. Paine  
Executive Director  
Tenure and Revenue  
(250) 356-5109

-----Original Message-----

**From:** Alexander, Janice E FOR:EX  
**Sent:** Tuesday, June 22, 2004 8:45 AM  
**To:** Paine, Julian C FOR:EX  
**Cc:** de Lestard, Andrea FOR:EX; Hall, Donna L FOR:EX  
**Subject:** RE: 80115 FW: Q&As related to Forest Revitalization and Infastructure Trust

Importance: High

Hi Julian - Doug is <sup>s.22</sup> he can review before he leaves. Thanks very much.

so we need this info in the next couple of hours please so

-----Original Message-----

**From:** de Lestard, Andrea FOR:EX  
**Sent:** Monday, June 14, 2004 2:12 PM  
**To:** Paine, Julian C FOR:EX; Konkin, Doug FOR:EX  
**Cc:** Alexander, Janice E FOR:EX  
**Subject:** 80115 FW: Q&As related to Forest Revitalization and Infastructure Trust  
**Importance:** High

Doug / Julian, I'm asking Janice to BF this request for a week prior to the due date of June 29th. We'll need to have this in for Doug's review by June 22nd to ensure we have enough time to edit the material prior to having to send it over to Doug Foster.

Please review the questions and do whatever preparation is necessary, Julian. Thanks.

Janice, please BF for June 22nd. Thanks.

-----Original Message-----

**From:** Ransom, Lisa FIN:EX  
**Sent:** Monday, June 14, 2004 1:08 PM  
**To:** Anderson, Lisa FOR:EX; de Lestard, Andrea FOR:EX  
**Subject:** FW: Q&As related to Forest Revitalization and Infastructure Trust

Hi Lisa/Andrea,

Doug Foster send this directly to Doug K. Please note deadline of June 29th for release of Public Accounts and request for briefing material prior to then.

-----Original Message-----

**From:** Foster, Doug FIN:EX  
**Sent:** Monday, June 14, 2004 11:58 AM  
**To:** Paine, Julian C FOR:EX; Konkin, Doug FOR:EX  
**Cc:** Ransom, Lisa FIN:EX; Mazure, John C FIN:EX  
**Subject:** FW: Q&As related to Forest Revitalization and Infastructure Trust

here are a couple of Qs the OCG has asked us to do in prep for the release of the PAs for 03/04 on June 29 (i think).

yes, these liabilities were 02/03 transactions, but what they want is a status report for each.

can you send me something simple?

-----Original Message-----

**From:** Barnes, Melina FIN:EX  
**Sent:** June 14, 2004 10:57 AM  
**To:** Foster, Doug FIN:EX  
**Cc:** Reuther, Barbara E FIN:EX  
**Subject:** Q&As related to Forest Revitalization and Infastructure Trust

Doug,

Per your conversation with Barb Reuther this morning. Here are the two questions that need some explanation.

Q - What was the impact of the \$200 million Ministry of Forests liability, related the Forest Revitalization Act, that has been paid out?

The answer should state why no monies have been spent yet.

Q - What happened to the \$75 million Forest Infastructure Trust money that the Minister of Forests issued in 2002/03? How has the trust money been spent?

The answer should state why no monies have been spent yet.

Thanks for your help  
Melina

Melina Barnes  
Financial Reporting and Advisory Services  
Ministry of Finance  
ph: 250-387-9238  
fax: 250-356-8388  
email: Melina.Barnes@gems7.gov.bc.ca

MRL: 79994 MINISTER CSS JCPAINE  
CONTACT: Julian Paine  
typed: 04/06/07 Date revised: 04/06/07 02:16 DLH

File: 2200-20/TRT

**JUN 10 2004**

Eric van Soeren  
Trustee, BC Forestry Revitalization Trust  
6705 London Drive  
Delta, British Columbia  
V4K 4W7

Dear Eric van Soeren:

According to Section 5.01 of the Deed of Trust, it falls to me to provide you with the name of a nominee to serve as one of seven members of the Advisory Board of the BC Forestry Revitalization Trust.

I am pleased to nominate Mr. Julian Paine, Executive Director, Tenure and Revenue, Ministry of Forests for membership on the Advisory Board. I am confident that the breadth of his experience in the public service, most recently as leader of the tenure reallocation process, makes Mr. Paine a good choice for this role.

I look forward to the successful operation of the Trust as we all do our best to mitigate the unavoidable impacts of tenure reallocation on forestry workers and contractors. I trust that Mr. Paine's nomination will meet with your approval.

Yours truly,

**'ORIGINAL SIGNED BY'**  
**DOUG KONKIN**  
*Deputy Minister*

*for* Michael de Jong  
Minister

Cc: Doug Konkin  
Deputy Minister

Bob Friesen  
Assistant Deputy Minister  
Tenure and Revenue



**APR 02 2004**

See Attached Distribution List

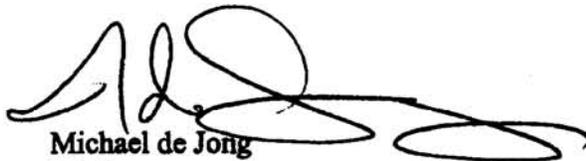
Dear Sir:

It is my pleasure to advise you that the Province of British Columbia has appointed Mr. Eric van Soeren to the office of Trustee of the Forestry Revitalization Trust effective March 31, 2004.

It is critically important, I believe, for the success of government's Forestry Revitalization initiative that the Trustee and the Trust Advisory Board work diligently to assist workers and contractors affected by the tenure reallocation process. A rapid and effective response to those impacted will go a long way towards ensuring that the benefits of policy reform can be realized while mitigating the financial impacts of those whose employment is affected as a result.

I look forward to working with you as we continue to move ahead in implementing the needed policy changes to ensure that the British Columbia forest sector remains the backbone of our resource economy. I know I can rely on you to assist Eric in his new responsibilities.

Yours truly,



Michael de Jong  
Minister

pc: Doug Konkin, Deputy Minister  
Ministry of Forests

Eric van Soeren  
Trustee, BC Forestry Revitalization Trust

Page 1 of 2

**Distribution List**

**John Allan, President & CEO, Council of Forest Industries**

**Jim Hackett, Manager, Interior Lumber Manufacturer's Association**

**Brian Zak, President, Coast Forest and Lumber Association**

**Jim Girvan, Executive Director, Truck Logger's Association**

**Roy Nagel, Manager, Central Interior Logging Association**

**Wayne Lintott, Manager, Interior Logging Association**

**Bill Sauer, Manager, North West Loggers Association**

**Dave Haggard, President, Industrial, Wood and Allied Workers**



1200 - 1090 West Pender St.  
Vancouver, British Columbia  
Canada V6E 2N7

Telephone (604) 891-1237  
Fax (604) 682-8641  
E-Mail: [cfla@cfla.org](mailto:cfla@cfla.org)  
Website:  
<http://www.cfla.org>

(604)  
682-8641 "15)

16 January, 2004

Mr. Doug Konkin  
Deputy Minister  
Ministry of Forests  
PO Box 9525, Stn Prov Gov't  
Victoria, BC V8W 9C3

Re: BC Forestry Revitalization Trust  
Trustee Appointment

Dear Sir,

Further to the Minister's letter of December 15<sup>th</sup>, 2003 the Coast Forest and Lumber Association would like to suggest that Eric van Soeren could be considered for the position of Trustee of the BC Forestry Revitalization Trust Fund.

Mr. van Soeren currently serves as Trustee of the Coast Sustainability Trust (CST) and has earned the respect and confidence of all those stakeholders involved in that difficult process. He has brought an approach that is viewed as balanced and expedient in developing resolve.

We would also like to offer up the experience of our members inside the CST process to review the guiding principles and terms of reference for the new Revitalization Trust program. Please advise accordingly when the CFLA can offer up suitable representatives.

Thank you,  
Yours truly,

J. Brian Zak,  
President

cc: Lee Doney, Deputy Minister  
cc: Minister M. de Jong

MINISTRY OF FORESTS, B.C.  
**RECEIVED**

DMRL#

JAN 26 2004

DUE DATE:  
 DRAFT REPLY  REPLY DIRECT  
 FNA  CFM  FILE

RECEIVED	
MRL #	
JAN 23 2004	
DUE DATE:	
<input type="checkbox"/> DRAFT	<input type="checkbox"/> REPLY DIRECT
<input type="checkbox"/> FNA	<input type="checkbox"/>

**Donison, Sonia FOR:EX**

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**From:** Chantal Stark [Stark@CFLA.org]  
**Sent:** Friday, January 16, 2004 4:03 PM  
**To:** Konkin, Doug FOR:EX; Doney, Lee SDL:EX; deJong, Mike LASS:EX  
**Subject:** FW:

Candidate for BC Forestry Revitalization Trust from CFLA - letter attached.

Thanks,  
B. Zak

*dup*





December 16, 2003

Mr. Doug Konkin  
Deputy Minister  
Ministry of Forests  
P.O. Box 9525, Stn Prov Govt  
Victoria, B.C.  
V8W 9C3



**RE: APPOINTMENT OF A TRUSTEE FOR THE  
B.C. FORESTRY REVITALIZATION TRUST**

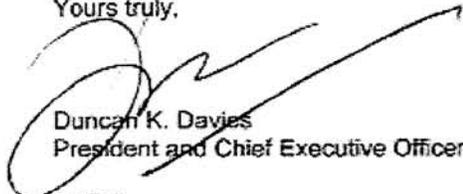
Dear Doug,

Further to the Minister's letter of December 15<sup>th</sup>, Interfor would like to propose Eric van Soeren as a candidate for the position of Trustee for the B.C. Forestry Revitalization Trust.

In our view Eric is an ideal candidate. He is currently serving in a similar capacity as Trustee of the Coast Sustainability Trust and, as such, has an intimate knowledge of the industry's issues and the challenges associated with transition. In our view, he has conducted the affairs of the Coast Sustainability Trust in a fair and balanced manner and has the confidence of the parties to that process.

If you have any questions regarding this recommendation please contact me (604-689-6881) or John Horing (604-689-6829) who served on the advisory committee to the Coast Sustainability Trust and can provide direct insight into Eric's success in managing that process.

Yours truly,

  
Duncan K. Davies  
President and Chief Executive Officer  
DKD/rjb

MINISTRY OF FORESTS, DMO  
**RECEIVED**  
 DMRL# \_\_\_\_\_  
 DEC 22 2003  
 DUE DATE: \_\_\_\_\_  
 DRAFT REPLY     REPLY DIRECT  
 FWA     FY     FILE

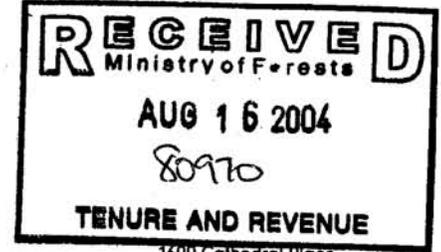
**International Forest Products Limited**

P.O. Box 49114, 1055 Dunsmuir Street, Vancouver, B.C., Canada V7X 1H7 (604) 689-6800 Fax (604) 689-0313

FRT created by *[signature]*  
on March 17, 2003

*[Handwritten signature]*

**LAWSON LUNDELL**  
BARRISTERS AND SOLICITORS



1800 Cathedral Place  
925 West Georgia Street  
Vancouver, British Columbia  
Canada V6C 3L2  
Telephone 604.685.3456  
Facsimile 604.669.1620

[www.lawsonlundell.com](http://www.lawsonlundell.com)

Direct Line: (604) 631-9171  
Direct Fax: (604) 694-2920  
[wmeverett@lawsonlundell.com](mailto:wmeverett@lawsonlundell.com)

August 13, 2004

**DELIVERED**

Ministry of Forests  
Tenure and Revenue Department  
3rd Floor  
1520 Blanshard Street  
Victoria, British Columbia  
V8W 3C8

Attention: Mr. Julian Paine

Dear Sirs and Mesdames:

***Forestry Revitalization Act - Tenure Take Back Negotiations***

We are assisting Canadian Forest Products Ltd. ("Canfor") to prepare certain materials for an upcoming meeting with representatives from the Ministry of Forests relating to the above noted matter. It is our understanding that this meeting is currently set to take place at the beginning of September 2004. To our knowledge, the Ministry of Forests is not represented by counsel with respect to the tenure take back negotiations and so we have sent this letter to you directly.

In order to provide Canfor with the factual information it requires to prepare for its meeting, we write to request that certain data be provided by the Ministry of Forests. Specifically, we write to request a listing of all dispositions of tenures ("agreements") for which approval of the Minister is required under section 54 (2) of the *Forest Act*, R.S.B.C. 1996, c.157, or comparable sections of earlier versions of the Act.

We do not require information for non-arms length transfers, transfers as between wholly owned subsidiaries, transfers where the tenure remains in the same name, or transfers made merely in the event of a name change under the *Companies Act* or equivalent legislation.

For all relevant transfers from 1980 to the present (or to the extent that the data allows it), we request the following information:

- the type of transfer (to affirm that it is an arms length transaction),
- the name of the transferee,
- the name of the transferor,

- the region(s) and TSA(s) in which the tenure is located,
- the amount of AAC received by the transferee (the amount net of any callbacks), and,
- the transaction date.

It is our understanding that the above information could be derived by compiling a list of changes made to the Ministry of Forest's public lists of licences and quota holders throughout the relevant time period. However, given the time frame set for the upcoming negotiations, and the very cumbersome nature of compiling such a list, we would request that the Ministry of Forests provide this data to us directly in either electronic or hard copy format.

Pursuant to an agreement between Canfor and the Ministry of Forests, Canfor will keep the data confidential. It will be used by its representatives and advisors only in relation to Canfor's preparations for the upcoming tenure take back negotiations, and will (upon request) be returned to the Ministry of Forests or destroyed once the tenure take back matter has been concluded.

I would appreciate it you or someone on your staff could contact me or Sara Gregory (an associate at Lawson Lundell (604 631-6785)) to discuss this request for data. We would appreciate your prompt attention to this matter.

Yours very truly,

LAWSON LUNDELL



William M. Everett, Q.C.

WME/tls

B

# FULLER, PEARLMAN, McNEIL

200-20/BC FRT

ETR

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Pages 348 through 352 redacted for the following reasons:

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**Barry, Jill FOR:EX**

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Media Type:  
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Keywords:

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2003/03/17

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Yes

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