



BC Forestry Revitalization Trust

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 |
|--|--------------|

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^{ths} 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