



Forestry Service Providers Compensation Fund

Report of the Authority as of December 31, 2024

General

The Forestry Service Providers Compensation Fund (FSPCF) was created on March 30, 2012 by the *Forestry Service Providers Compensation Fund Regulation* (BC Reg. 64/2012) and was seeded with a contribution of \$5,000,000 provided by the provincial government. Its purpose is to provide relief to Contractors that provided Forestry Services and were not paid for those services because the recipient of the Forestry Services became Insolvent. Insolvency for the purposes of the FSPCF is defined in the FSPCF Administrative Agreement.

Forestry Services are limited to those defined in the *Forestry Service Providers Protection Act (FSPPA)* and must have been provided to a tenure holder under the *Forest Act*. On December 7, 2016 BC Reg. 64/2012 was amended by BC Reg. 286/2016 to allow the inclusion of Silviculture Contractors' work as a prescribed activity included in the definition of eligible providers of Forestry Services under the FSPCF.

The FSPCF is administered by Eric van Soeren, the Authority appointed by the Minister of Forests under the *FSPPA*. Mr. van Soeren operates pursuant to an Administrative Agreement between the Authority and the provincial government. The Authority is not an agent of the government for the purposes of the *FSPPA* or the regulations under it. More detail on the FSPCF is available on the FSPCF website at www.fspcf.com.

Sources of Funds for the FSPCF

In addition to the \$5,000,000 seed money provided by the provincial government, the *FSPPA* contemplates other sources of funding. Part 2 of the *FSPPA* refers to "contributors" who will be identified by regulation and who will make contributions to the fund in accordance with the regulations. Additionally, the provincial cabinet may, by regulation, impose a levy on stumpage bearing timber that must be paid into the FSPCF. Finally, any amounts recoverable from an Insolvent Licensee relating to a financial loss for which a Forestry Service Provider has applied and received monies from the FSPCF, must be repaid to the FSPCF. This is to prevent double dipping.

To date no stumpage levy has been created. However, between January 1, 2015 and December 31, 2024 the provincial government made additional contributions to the FSPCF totaling \$3,850,000, of which \$3,100,00 was allocated to the General Fund, and \$750,000 was allocated to the Silviculture Fund.

In addition, in the fourth quarter of 2020 the Trustee of the BC Forestry Revitalization Trust, on the advice of its Advisory Board, wound up the BCFRT because it had fulfilled its mandate. A Surplus of \$24,237 remained, and it was transferred to the General Fund of the FSPCF.

Therefore, the total contributed to the FSPCF by the province, plus the transfer of the BCFRT surplus of \$24,237, is \$8,874,237.

Activities of the FSPCF to date

An Advisory Board has been established, a website has been created (www.fspcf.com), a claim form template has been developed, and templates for the assorted documents that will need to be generated to allow claims to be made and processed are ready to go.

No meetings of the Advisory Board have been held because no situations that required decisions or recommendations with respect to policy have arisen.

During the third quarter of 2023 Skeena Sawmills Ltd. was placed into receivership. As of December 31, 2024, twelve forestry service providers, as defined in the Administrative Agreement for the FSPCF had outstanding accounts receivable from Skeena Sawmills Ltd. All twelve of them plus one subcontractor have received full or partial compensation for their outstanding invoices. Several applicants were not eligible for compensation, either because they did not provide forestry services as defined in the FSPCF Administrative Agreement, because their claim related to a rate dispute as opposed to unpaid invoices, or because their contracts did not call for billing until the logs were delivered, so a significant amount of unpaid work did not qualify for FSPCF compensation.

In the second quarter of 2024 Teal Jones Holdings Ltd. (Teal Jones) filed for Companies' Creditors Arrangement Act (CCAA) protection. While Teal Jones hopes to file a proposal that will see all the creditors made whole over time, this still must be dealt with as an insolvency, and the FSPCF has been providing compensation to logging and silviculture contractors that have outstanding invoices to Teal Jones.

As of December 31, 2024, nine forestry service providers, as defined in the Administrative Agreement for the FSPCF had outstanding accounts receivable from Teal Jones. Eight of them have received full or partial compensation for their outstanding invoices. One applicant has not received FSPCF compensation because they have failed to sign an Assignment of Debt agreement. If Teal Jones is successful in restructuring using the CCAA, some or all of the compensation provided to its creditors might be recovered by the FSPCF, but it is too soon to estimate what that recovery might be.

In the fourth quarter of 2024 San Industries Ltd. filed for Companies' Creditors Arrangement Act protection. Although San Industries Ltd has a very lengthy list of creditors, few if any appear to be eligible for assistance from the FSPCF as they are not

Forestry Service Providers as defined by the *Forestry Service Providers Protection Act (FSPPA)*.

It is still too early to determine the total of the claims that will be received from the creditors of the three companies, but based on the filings by the Receiver for Skeena Sawmills Ltd., the list of creditors received from the monitors for Teal Jones and San Industries Ltd., and the claims received to date, it appears there are enough funds in the FSPCF to pay the compensation allowed by the Administrative Agreement.

Account Balances as of December 31, 2024

As of December 31, 2024, the market value of the FSPCF accounts reconciled for outstanding cheques, but not including accruals for interest on term deposits, were as follows:

Forestry Service Providers (FSP)	
Account Balances	
FSP General Compensation Fund	\$7,425,037
FSP Silviculture Compensation Fund	<u>\$407,911</u>
Total available funds	<u>\$7,832,948</u>
Distributions to beneficiaries to date	
Related to the insolvency of	
Errington Cedar Products Ltd	\$67,289
Greey Forest Products Ltd.	\$343,929
International Aircraft Management Inc.	\$37,902
Murch Timber Ltd.	\$109,443
Skeena Sawmills Ltd.	\$1,884,998
Teal Jones	\$330,399
Yaorun Wood Products Ltd.	<u>\$155,867</u>
Total Distributions to beneficiaries	<u>\$2,929,827</u>
Less recoveries from insolvent companies	<u>\$10,896</u>
Net Distributions to beneficiaries	<u>\$2,918,931</u>
Total available funds plus net distributions	<u>\$10,751,879</u>

Looking ahead

During the first quarter of 2025, the following activity is expected in the FSPCF:

- The Authority will process any further claims related to the insolvency of Skeena Sawmills Ltd. and Teal Jones and possibly San Industries Ltd., and make disbursements as appropriate.

- The Authority will continue to monitor potential licensee insolvencies in the province and work proactively with Forestry Service Providers to determine whether they may be eligible for FSPCF assistance.
- The Authority will continue to work with the province and the forest industry to develop a mechanism to build the FSPCF to a level where it will be able to react to a significant insolvency should another one occur.

Eric van Soeren
Authority