



**INVESTIGATION REPORT
OF THE BUSINESS AND AFFAIRS OF
YORK SUNBURY CHARLOTTE FOREST
PRODUCTS MARKETING BOARD**

**NEW BRUNSWICK FOREST
PRODUCTS COMMISSION**

JUNE 2015

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EXECUTIVE SUMMARY

Prior to 2008, the York Sunbury Charlotte Forest Products Marketing Board (the ‘YSC Board’) was a successful going concern with just under \$1 million in retained earnings allocated to their Forest Management and operating funds. The YSC Board represents the 7,109 woodlot owners that own woodlots in the Board’s area and supply 15 to 20 mills in New Brunswick and Maine.

In 2008, the Board of Directors and Management of the YSC Board made a decision to invest in the purchase of the idled M.L. Wilkins & Sons Ltd. sawmill in Fredericton, New Brunswick. The initial investment of \$290,681 was intended to be temporary until they could find other investors. At the time, they entered into a Joint Venture Agreement with a privately owned company that purchased the mill assets, whereby their initial investment was converted to a promissory note between the Board and the company. Through the Joint Venture Agreement, they created the company “Maritime Fibre and Energy, Inc.” as the operating company. Over time, the search for other investors was only insignificantly successful.

As a result, the Board and Management of YSC Board made decisions to further invest and support financially the startup and a temporary operation of the mill. By the end of the fiscal year ended March 31, 2013, the YSC Board investments and expenditures in the mill project had increased to approximately \$795,000 and was reflected in their audited financial statements as “Due from related party” assets. Based on its June 2014 annual review of the YSC Board’s audited financial statements for the year ending March 31, 2014, the New Brunswick Forest Products Commission (the ‘Commission’) became very concerned with the situation. The audit revealed that the “Due from related party” assets had grown to just over \$1,000,000 but in addition, there were trade receivables for log supply of over \$600,000. The Commission, in its oversight of the YSC Board was very concerned with the level of risk that the Board was taking in the venture and requested a meeting with officers of the YSC Board in August of 2014. Following that meeting, the Commission began gathering more detailed information from the YSC Board and as a result, on September 10th, 2014, the Commission engaged in a formal investigation into the business and affairs of the YSC Board, pursuant to sections 12(3) & 12(4) of the *Natural Products Act*.

During the beginning of the investigation and until December 23, 2014, the members (board of directors) of the YSC Board remained in place. The former manager of the Board, Mr. David Palmer, retired at the end of June 2014. The YSC Board continued to operate with limited funds drawn from an operating line of credit and with a manager in place, Ms. Erica O’Donnell. On December 23, 2014, the Commission made an order respecting the Commission carrying out of all of the powers of the YSC Board pursuant to sub-paragraph 13(d)(i) of the *Natural Products Act* and subsequently suspended the Board of Directors of the YSC Board until the earlier of (a) further notice of the Commission or (b) June 22, 2015. Since December 23, 2014, the

Commission has acted as the board of directors for the YSC Board, giving direction to the YSC Board employees who continue to manage the day-to-day operations of the Board.

The detailed findings of the investigation to follow reveal that the Commission found that on several occasions the members of the YSC Board carried out actions that exceeded their legislated authority. The Commission also found that the YSC Board actions also put the organization in a difficult financial position, with investments, expenditures, trade receivables and contingent liabilities adding up to over \$2,000,000. The investigation revealed that a number of the directors and the senior manager of the YSC Board had invested personal funds in varying amounts in the Joint Venture, causing a high degree of concern with the Commission with respect to the Board's governance and issues of potential conflict of interest. Because of the YSC Boards actions, with very little effort in regard to the security of the financial interests of the organization, the YSC Board had used virtually all of its retained earnings in its General and Forest Management funds towards the mill project. Funds that, in the case of the Forest Management Fund, should have been restricted for use towards forest management activities as defined in the YSC Board's own Forest Management Scheme Order (Order 2002-201). The Commission's found that the YSC Board members breached their fiduciary responsibility to the woodlot owners and producers that they were elected to represent. Appendix B of the report contains a summarized sequence of significant events that were documented as part of the investigation.

This report also includes recommendations, both specific to the YSC Board as well as general recommendations to avoid this type of activity happening at any of the other six Forest Products Marketing Boards. Along with the other related recommendations, the most significant recommendation the Commission makes is for dismissal of the members of the YSC Board and replacement with new members appointed by the Commission and reducing the membership from 23 directors to 11.

INTRODUCTION

The Commission became aware in 2008 that the York Sunbury Charlotte Forest Products Marketing Board (the 'YSC Board') got involved in the purchase of the former M.L. Wilkins Ltd. sawmill on the Royal Road, in Fredericton, New Brunswick. Although the full nature and level of the YSC Board involvement was never formally disclosed to the Commission at the time, it was communicated to be a short term investment while investors were sought out to replace the YSC Board investment in the sawmill.

Through its regular oversight of the Forest Products Marketing Boards, specifically the annual review of audited financial statements of the Boards, the Commission observed that the exposure of YSC Board to the Maritime Fibre and Energy, Inc. (hereinafter 'M.F.E.') sawmill operation was increasing each year. The exposure was consistently identified in audited financial statements as a "Due from Related Company" item in the YSC Board Balance Sheets.

This exposure was noted during the annual reviews and reported to be substantial risk factor in the review of the YSC Board audited financial statement.

The review of the audited financial statement of YSC Board for the year ended March 31, 2014 showed that the financial exposure had grown to over \$1 Million, but equally troubling was the negative change in the YSC Board's cash position by over \$800,000. Because of this significant change year over year, and because the Commission was being asked to consider borrowing authorizations for the YSC Board, the Commission requested that representatives of the YSC Board appear before the Commission to have a discussion about the financial situation of the YSC Board and the level of their involvement in the M.F.E. sawmill project.

At the August 13, 2014 regular meeting of the Commission, YSC Board Chairman and M.F.E. director Glenn Cameron along with YSC Board director and M.F.E. president, Rick Doucett appeared before the Commission to discuss the nature of YSC Board's exposure and risk in the sawmill venture. Based on that discussion, the Commission began to gather more detailed information from YSC Board staff. Based on the preliminary information gathered, the Commission decided at their September 9, 2014 monthly meeting that it would be appropriate to initiate a more formal investigation pursuant to sections 12(3) & 12(4) of the *Natural Products Act* (*hereinafter 'NPA'*). Sections 12(3) & 12(4) are as follows:

12(3) The Commission may take any action referred to in subsection (4) if the Commission reasonably believes that an agency, board, or person carrying out functions on behalf of an agency or board is committing an act or pursuing a course of conduct that may:

- (a) violate this Act or the regulations,*
- (b) constitute an unsound business practice,*
- (c) prejudice the interests of persons for whose benefit the agency or board has been established,*
- (d) constitute a failure by the agency or board or person to file a report or document required to be filed with the Commission or to provide information required to be provided to the Commission,*
- (e) lead to a defect, irregularity or inconsistency in the administration of a plan, or*
- (f) fall outside the scope, purposes or powers of the agency or board.*

12(4) For the purposes of subsection (3), the Commission may do any one or more of the following:

- (a) investigate the business and affairs of the agency or board, or the business and affairs of the person carrying out functions on behalf of the agency or board;*
- (b) prepare a report concerning the results of an investigation and, where the Commission considers it necessary, make the report public; and*
- (c) order the agency or board to take such remedial action as the Commission considers necessary.*

Based on the information from the review of the YSC Board audited financial statements and further information disclosed by the representatives of YSC Board and M.F.E. at the August

Commission meeting, the Commission ordered an investigation of the business and affairs of the YSC Board on September 10th, 2014 and delegated its authority for the investigation to Tim Fox, Executive Director / Secretary to the Commission.

PRELIMINARY EXAMINATION

The Commission compiled YSC Board meeting minutes for the time period involved (2008 to present) in order to conduct a thorough review of minutes in order to establish some of the timeline of events relevant to the sawmill issue. The Commission also made a formal request to the YSC Board for copies of all agreements, banking agreements, more current interim financial and banking statements, and listings of transactions relevant to the involvement with the M.F.E. operation. The information collected provided the following preliminary information.

Thorough review of minutes of the YSC Board during the period being investigated revealed that although there were several occurrences where the mill project was mentioned relevant to YSC Board and their financial involvement, much of the information lacked specificity in the way of amounts or agreements that were made along the way.

Copies of all of the agreements were collected from YSC Board, through which some of the details of the financial involvement of the Board were made much clearer. These included the original Joint Venture Agreement and subsequent amendments thereof, a promissory note between numbered company, 639103 NB Ltd. (owned by Murray and Keith Munn) and YSC Board, the Log Supply Agreement between YSC Board and M.F.E., the Joint Venture Dissolution Agreement, and a loan guarantee and postponement of claim that was provided by YSC Board for a loan from the Regional Development Corporation. The information that was gathered from these documents, as well as the most recent interim financial statements of YSC Board created even more concern with the financial status of the YSC Board.

Due to the increased concern of the Commission from the information gathered in the preliminary examination, on September 24th, 2014, the Commission rescinded its original investigation order and replaced it with a new order that would allow for the appointment of both Tim Fox and Carol Dixon, (CPA), an employee of the Department of Natural Resources, to investigate and the delegation of the Commission's investigation powers be delegated to both. The new order was also expanded to include the hiring of an independent accounting firm to undertake a financial review of the situation and provide the Commission with an opinion. This order can be found in Appendix A. Concurrently, a number of questions were submitted to Legal Services division of the Office of the Attorney General based on findings of the preliminary examination. Subsequently, the Commission commissioned the services of independent (non-government) legal counsel to advise them through the process of the investigation.

INVESTIGATION / ANALYSIS

BUSINESS RELATIONSHIPS

Through the investigation, the Commission discovered a number of business relationships that had been established. These included the YSC Board, Maritime Fibre and Energy, 639103 NB Ltd., B&M Contractors Ltd., and YSC Forest Products Association Inc.

As part of the investigation, the Commission extracted from the annual reports of the YSC Board that are filed with the Commission the lists of members of the Board for each year in the investigation period. Also, in the course of the investigation, it was discovered that there was a private not-for-profit company registered as YSC Forest Products Association Inc. There was reference in minutes of the YSC Board to the filing of returns for the “Association” but it was not specific to what association was being discussed. The Commission was not previously aware of any existence of this company.

Corporate returns were sought out for this company name from the Corporate Affairs database and it was discovered that corporate returns were filed for this company on a couple of different occasions for multiple years with the Board of Directors of the “association” being filed as the identical individuals who serve as the Board of Directors that is listed in the YSC Board annual reports filed with the Commission. The original and supplementary letters patent for the company were also collected to try and ascertain the reasoning for the “other” company name.

Through the investigation, it was discovered that initially Maritime Fibre and Energy Inc. was established through a Joint Venture Agreement between YSC Board and 639103 NB Ltd. and B&M Contractors Ltd., the latter two being private companies registered with Mr. Murray Munn listed as the president.

Corporate returns were also collected for Maritime Fibre and Energy (see Appendix B). It was discovered in these documents that from time to time, several directors for M.F.E. were also directors and/or the Senior Manager of the YSC Board. A list of investors in M.F.E. was also collected. The list of investors revealed that a number of current or former directors of YSC Board as well as the Senior Manager YSC Board had invested varying amounts of personal funds in the joint venture during the time period investigated.

As previously mentioned, it was discovered that a number of the members (directors) and the Manager of YSC Board were shareholders in varying degrees in M.F.E. This situation raises the question of conflict of interest. Conflict of interest has been defined as “a personal interest so connected with professional duty that it might reasonably be apprehended to give rise to a danger of actually influencing the exercise of the professional duty.” (at para. 41 – Cox v. College of Optometrists (Ontario)(1988), 65 O.R. (2d) 461 (Ont. Div. Ct.). The following was also found when researching “conflict of interest” issues in relation to this investigation: “A conflict of interest occurs where a personal interest is sufficiently connected with public or professional duties that it results in a reasonable apprehension that the personal interest may

influence the exercise of professional or public responsibilities. Conflicts of interest can arise for directors when they or their friends or family stand to benefit financially from the actions of the board of directors, or when a director serves two or more organizations that may have adverse interests. As conflicts of interest can be both direct and indirect, directors must be vigilant in thinking about and identifying possible personal conflicts of interest." - Director Duties – Professor Andrew Keay.

The Commission found that there was more than sufficient evidence to cause reasonable apprehension that members who were both investors in M.F.E. and members or an employee of the YSC Board were conflicted.

YSC BOARD MINUTES HIGHLIGHTS – 2008 TO PRESENT

At the March 19, 2008 meeting of the YSC Board, the Board passed a motion to pledge the 10% bid bond necessary for the purchase of the mill up to a maximum of \$250,000 with the condition that the terms of the bid be explored before making the offer. It was recorded in the minutes of the May 21, 2008 meeting of the YSC Board that the bid for the former Wilkins mill was changed to \$2.2 million and that a corporation would need to be formed. It is assumed from the nature of the record that the bid of \$2.2 million was successful. It is further discussed in the minutes of the June 18, 2008 meeting of the YSC Board where the record shows that the "steering committee" held several meetings of potential investors, attempting to raise the money required to fulfill the bid. At that meeting, it is revealed that there has only been \$640,000 "pledged" towards the \$2.2 million bid for the mill at that point and that the committee is having trouble drumming up sufficient support for the project. It is also revealed that a 'Plan B' is being worked on, where a silent partner would acquire the mill temporarily while the committee sought investors to purchase the mill assets from the 'silent partner' under the new company name.

At the July 16, 2008 meeting of the YSC Board it is noted in the minutes and revealed that the 'silent partner' is Mr. Murray Munn and the property taxes had to be paid for the mill (approximately \$70,000) before the deal could be closed.

Through the rest of 2008, 2009, and early 2010, there is sporadic mention in YSC Board minutes of attempts to have investors for the mill project through some minor projects that were being contemplated for the mill. There is little mention of financial involvement by the YSC Board until the YSC Board meeting of March 17, 2010 where the Board approves the payment of some accounting and legal costs related to M.F.E., Inc. but no amounts are disclosed in the minutes. In June of 2010, it is noted in the YSC Board minutes that revenues had dropped for M.F.E. and also that it was agreed by the YSC Board to cover any shortfalls between revenue and expenses until the Joint Venture Agreement runs out in January of 2011. Again through the period of the remainder of 2010 and most of 2011, minutes of the YSC Board make sporadic mention of the mill activities, but without specific details on financial support and / or exposure.

In May of 2012, the minutes of the YSC Board reveal that the board agrees to pay up to \$6,000 per month towards the property taxes of the mill. Then in June of 2012, the minutes of the YSC

Board reveal a plan that funds be released to provide money to allow for start-up work but it is neither specific about the amount, nor who is releasing the funds. In July of 2012, the YSC Board moves and agrees to request an authorization by the Commission for the “backing” of a loan with Royal Bank.

February 2013 minutes of the YSC Board meeting reveal that the YSC Board agreed to extend the Joint Venture Agreement with the M.F.E. and Murray Munn to the end of May. In the March 2013 meeting of the YSC Board, the Manager advises through a written document of the Board’s level of investment and risk related to the mill project. This document was not included with the Board’s minutes filed with the Commission but was obtained during the investigation. Then in July of 2013, the YSC Board agrees to increase the bridge loan to allow for more log purchases up to a limit established by a log supply agreement. Minutes of the August 2013 meeting of the YSC Board then establish that there is agreement by the Board to guarantee a loan by Business New Brunswick, again with no details as to the specific amount.

Minutes of the September 18, 2013 meeting of the YSC Board reveal that a condition was required by Business New Brunswick that the Joint Venture Agreement be dissolved and replaced by a lease to own agreement between M.F.E. and 639103 NB Ltd. David Palmer, Manager of YSC Board, expressed regret that the dissolution agreement had been executed and that there was not time for the Board to review the agreement before it had gone through. The joint venture dissolution agreement was signed by Mr. David Palmer, Mr. Murray Munn, and Mr. Rick Doucett and dated the 9th day of September, 2013.

In the February 19, 2014 meeting of the YSC Board, the minutes reflect that there was a discussion and a written update by the manager on the mill operation, including four recommendations for YSC Board to act upon. There was a motion on record to investigate options for securing YSC Board’s investment. Again, the written “update” document was not filed with the Commission at the time, but was obtained as part of the investigation. There is no evidence that the Manager’s recommendations in the written document were ever acted upon.

Following this, at the May 21, 2014 meeting of YSC Board, a representative of the board’s auditors, expressed concern with the wording of the “Joint Venture and Lease Agreement”, signifying that YSC Board would be “writing off the debt of \$1.6 million”. There is an explanation in the minutes that the intent would be to replace the debt with equity in M.F.E., to which the auditor’s representative suggests that this be looked at. The suggestion is made by the auditor that the agreement be amended to reflect the original intent or that a note would need to be made in the YSC Board’s audited financial statements. The Commission found no evidence that these concerns were ever addressed by the YSC Board.

Later in the same meeting, there is a discussion around the retirement of Mr. David Palmer, General Manager of YSC Board. In that discussion, the YSC Board agrees to offer a “retirement package” to Mr. Palmer in an amount equal to one week of current pay for every year of service. It was discovered in the course of this investigation that Mr. Palmer would remain on the payroll of the YSC Board from June 30, 2014 until December 26, 2014.

On October 15, 2014, the Commission ordered the YSC Board to provide an explanation of the details and justification for the “retirement package”. The response indicated that it was a “retirement package” that “should recognize Mr. Palmer’s 26 years of outstanding service to YSC.” The Commission requested from the YSC Board a copy of an employment contract that would authorize this kind of “retirement package”. The Commission also requested a copy of the YSC Board’s internal policy documents. There was not an employment contract, nor did the YSC Board’s Policies reflect this kind of a payment as a condition of employment with the YSC Board. As such, the Commission considered this arrangement as a grant, gift or similar payment of money in excess of one thousand dollars without approval of the Commission, pursuant to section 26(2) of the *Natural Products Act*.

In the analysis of the minutes of the YSC Board’s meetings between 2008 and the present, it becomes clear that the minutes that were filed with the Commission generally lack specificity when it comes to details around YSC Board expenses and investment in the M.F.E. sawmill project. Any written reports that were issued during meetings were also absent from the minutes filings that YSC Board were making to the Commission. It is difficult to ascertain whether some of these things were done intentionally so as to keep these details from being filed with the Commission, or whether it was simply a case of very poor record keeping. The minutes of the regular meetings of the YSC Board reflect that the directors generally supported whatever was suggested to them by the General Manager, suggesting that the directors were either extremely complacent or misinformed as to the role that they should play. The Commission believes that it could also reflect the level of bias resulting from the conflicted directors who were also investors in the M.F.E. operation.

FINANCIAL STATEMENTS – AUDITED AND INTERIM

Audited financial statements of the YSC Board were re-examined during the course of this investigation. The audited financial statements for the 2008-09 fiscal year reflects an amount of \$345,292 due from a related party. The notes in the financial statement further explain that \$290,681 of the amount is the result of a promissory note receivable with 639103 NB Ltd, which was to bear interest at a rate of CIBC prime plus 2%. The balance of the advances to the related party (Joint Venture) are unsecured, non-interest bearing and have no set terms of repayment. What is not clear from the audited financial statements is how much interest has been accrued to the promissory note and how much of the remainder is unsecured, non-interest bearing and has no set terms of repayment. The practice of reporting the money “invested” in the M.F.E. project as due from a related party continued in subsequent years audited financial statements, leaving a presumption that there was some security in the “investment” being paid back at some point. The following table summarizes balance sheets from the audited financial statements for the years in question. The Adjusted 2014 column in the table reflects the Commission’s opinion based on the investigation findings of what the balance sheet could have looked like after removing the amounts forgiven by the Joint Venture dissolution agreement with the numbered company as well as loan or log supply amounts deemed to be doubtful for collection from M.F.E.

	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	Adjusted 2014**
ASSETS							
CURRENT							
Cash Accounts Receivable	\$ 105,592 580,376	\$ 355,088 333,555	\$ 186,012 623,404	\$ 522,367 424,531	\$ 215,993 859,264	\$ 1,141 1,678,058	\$ 1,141 1,136,957
Inventory Prepaid Expenses Due from related party	2,450 12,357 345, 292	35,294 8,914 469,983	2,600 4,201 555,511	2,316 9,734 624,190	3,288 9,207 795,391	4,982 6,438 1,029,494	4,982 6,438 -
	1,046,067	1,203,464	1,371,728	1,583,138	1,883,143	2,720,113	1,149,518
PROPERTY, PLANT, AND EQUIPMENT LONG TERM INVESTMENTS	19,841 11,250	5,313	3,421	2,559	14,844	23,549	23,549
	1,077,158	1,208,777	1,376,149	1,586,697	1,898,987	2,744,662	1,173,067
LIABILITIES							
CURRENT							
Accounts Payable Bank Indebtedness	197,124 -*	159,676	201,223	224,425	419,044	676,614	676,614
NET ASSETS							
GENERAL FUND FOREST MANAGEMENT FUND	* 841,360	207,741 942,589	232,337 1,035,162	327,110 1,056,589	423,354 1,054,825	465,858 1,054,825	(72,243) 21,331
TOTAL	880,034	1,049,101	1,174,926	1,362,272	1,479,943	1,520,683	(50,912)
	1,077,158	1,208,777	1,376,149	1,586,697	1,898,987	2,744,662	1,173,067

* - Audited financial statements for period ending March 31, 2009 did not separate funds.

** - Unaudited – expected to be fully reflected in 2014-15 audited financial statements.

In the notes with respect to due from related parties 2012-13 audited financial statements of the YSC Board, the auditor makes mention of the \$250,000 guarantee that YSC Board had provided for a loan between M.F.E. and the Royal Bank (with the authorization of the Commission). It is also noted that at March 31, 2013, the loan had a nil balance. As previously mentioned, it was also discovered in the course of this investigation that the guarantee that the auditor mentions in the audit report was actually given by YSC Forest Products Association Inc., not by the YSC Board.

The audited financial statements from the 2013-14 fiscal year of the YSC Board, however, paint a much different picture. These statements indicate that the due from related parties reached a level of just over \$1 million in addition to a trade receivable of \$616,160 with M.F.E. The notes also reveal that the \$250,000 loan between M.F.E. and Royal Bank that was guaranteed by

YSC Forest Products Association Inc. had a balance of \$250,000 as of March 31, 2014. It is unclear to the Commission why a guarantee made by the YSC Forest Products Association Inc. was noted in the audited financial statements of the YSC Board. It was, however, the significant increase (over \$860,000) in the potential unsecured financial exposure of YSC Board that led the Commission to initiate this investigation.

As part of this investigation, the Commission also requested interim Balance Sheet and Statements of Operations from YSC Board, first for July 31, 2014 and subsequently for August 31, 2014. Those statements still reflected monies due from the related parties. Once those statements are adjusted to reflect the doubtful repayment of the gifts, loans and wood supply receivables, the Commission found the YSC Board to be nearly insolvent.

BUSINESS AND BANKING AGREEMENTS

The Commission requested that YSC Board provide all agreements between the Joint Venture parties, as well as documentation of promissory notes, loan guarantees, banking and loan agreements.

The first Joint Venture Agreement (hereinafter JVA) that was signed between the parties was made on July 4th, 2008 between B&M Contractors, YSC Board, and 639103 NB Ltd. (hereinafter the numbered company). In the agreement, it was contemplated that YSC Board and B&M Contractors would provide financing to the numbered company to purchase the assets of the former M.L. Wilkins sawmill from the receiver. The financing to the numbered company was by way of promissory notes, with set terms of repayment. YSC Board held a promissory note with the numbered company in the value of \$290, 681 that would be due on January 4, 2009 and had an interest rate of Prime plus 2% based on the Canadian Imperial Bank of Commerce rate effective July 4, 2008. According to the JVA, B&M Contractors held a promissory note with the numbered company in the value of \$1,995,628. B&M Contractors and the numbered company are both corporations owned by Murray Munn, with Keith Munn being listed as a director. The original JVA was set to expire on January 5th, 2009, when it was expected that all promissory notes would come due, however, there was a clause in the JVA that would allow for an extension or amendment to the JVA.

The only other amendment to the JVA received by the Commission in the course of this investigation was dated July 30th, 2013. The document refers to five (5) other amendments between the original JVA and the current version of the JVA, none of which were filed with the Commission. In the July 30th, 2013 version of the JVA, more details are revealed into the level of investment that the parties to the JVA had invested into the Maritime Fibre and Energy mill startup. It is revealed in the JVA that YSC Board, effective March 31, 2013, had provided financing to M.F.E. in the amount of \$795,391, which is reflected in the audited financial statements of YSC Board as "Due from related parties". This version of the JVA also contemplated that YSC Board would pay 50% of the tax installment payments up to \$6,000 for six months, with the other 50% to be paid by M.F.E. The Munn companies (including the

numbered company whose name the assets were held in) would pay no costs towards the property tax installments.

The last agreement that was made with respect to the JVA was a Joint Venture Dissolution Agreement that was made effective on August 28, 2013, signed and executed on September 9th, 2013. It is reflected in the September 18, 2013 minutes of the YSC Board meeting that in order for M.F.E. to secure financing from the Department of Economic Development, the JVA needed to be dissolved and replaced by a lease to own agreement between M.F.E. and the numbered company. This was the stated purpose for this dissolution agreement. The JVA Dissolution agreement contemplates that all debts between the numbered company and B&M Contractors and YSC Board or M.F.E. is relinquished by YSC Board and M.F.E. The dissolution agreement also contemplates that the promissory notes among the JVA parties are also void. There is a clause in the agreement that states that M.F.E. will issue common shares to YSC Board, B&M Contractors, and the numbered company in proportion to the debts forgiven with respect to the JVA. However, common shares were never issued to the YSC Board.

The “Lease-to-Own” agreement that replaced the JVA was also collected as part of the investigation. This agreement sets the lease payment at a rate of \$30,000 per month between M.F.E. and the numbered company, including \$11,400 per month towards property tax payments that according to the document were in arrears and would revert to approximately \$4,500 per month once the taxes in arrears were paid. It also sets the rental fees for the various tenants, including YSC Board.

As previously mentioned, at or around the month of September, M.F.E. was seeking financing from the Department of Economic Development. It was discovered in this investigation that YSC Board provided a guarantee for a loan that was given to M.F.E. by the Regional Development Corporation. The loan was for a total of \$200,000. As part of the investigation, the Commission collected a document identified as “Corporate Guarantee and Agreement to Indemnify” that was signed by Glenn Cameron, Chairman of YSC Board on September 23, 2013. YSC Board did not seek authorization of the Commission to provide this guarantee of this loan, nor did it make the Commission aware of the loan, nor did it file this agreement with the Commission.

On February 20, 2015, a “Demand for Payment” was issued from Regional Development Corporation to the York Sunbury Charlotte Forest Products Marketing Board in the amount of \$177,411.17.

Minutes of YSC Board meetings referred to a “Log Supply Agreement” between YSC Board and M.F.E. This agreement was also collected as part of the investigation. The agreement contemplated that YSC Board would provide logs to M.F.E. at set rates (dependent on the amount of time it took M.F.E. to pay) up to a credit limit of \$400,000 and that YSC Board would have first charge security on an equivalent value of inventory and/or receivables. The agreement also contemplates that the title to the wood supplied would not transfer until payment was received and cleared. The agreement also sets an interest rate for late payments. At

March 31, 2014, the receivable from M.F.E. was \$616,160 and at the time of the investigation, the receivable from M.F.E. was still approximately \$541,000. On October 15, 2014, the Commission ordered the YSC Board to re-calculate the money owing from M.F.E. to reflect the late payment log prices and interest and send a formal demand letter to M.F.E. along with the amended invoice. The amount outstanding from M.F.E. as reflected on the adjusted invoice was \$589,297.39.

Also collected were banking agreements that YSC Board was party to. Included in those was the "Demand Operating Facility Agreement" between YSC Board and TD Bank. This agreement detailed the operating loan that YSC Board has with TD Bank in the amounts of \$300,000 CDN and \$50,000 USD. This agreement has reporting requirements including annual audited financial statements, annual budget forecasts, and annual provision of the updated Borrowing By-law (Authorization) of the Commission. The agreement also has covenants that include YSC Board maintaining working capital at a minimum of \$400,000 and a tangible net worth of no less than \$500,000.

A loan agreement between M.F.E. and the Royal Bank of Canada (RBC) was also obtained. This agreement was for a revolving demand facility in the amount of \$250,000 with an interest rate of Prime + 3.5%. Security on this loan included first ranking security interest in the personal property of the Borrower (which conflicts with the previously mentioned "Log Supply Agreement") as well as a guarantee and postponement of claim in the amount of \$250,000, signed by Y.S.C. Forest Products Association, Inc. Reporting requirements included annual review engagement financial statements for the Borrower and annual financial statements for YSC Board within 90 days of each fiscal year end. It was discovered through this investigation that the balance of this loan was at approximately \$244,000 at the time of the investigation and that M.F.E. had been given notice that RBC was calling the loan and preparing to take the necessary steps to enacting their security. The agreement specifically referred to a guarantee and postponement of claim signed by the Y.S.C. Forest Products Association, Inc. This document was requested by the Commission from YSC Board staff. Three documents were received from this request. There was a "Guarantee and Postponement of Claim" form that was signed by Rick Doucett, former Chair of YSC Board and dated March 8, 2011 (which pre-dated the loan agreement). There was also a letter from Rick Doucett to RBC dated July 26, 2012 that the YSC Board approved a resolution to guarantee the \$250,000 operating loan for M.F.E. Another "Guarantee and Postponement of Claim" form was also provided to the Commission with Y.S.C. Forest Products Association, Inc. as the signatory; document not signed.

On December 2, 2014, YSC Board staff forwarded a copy of correspondence to Maritime Fibre and Energy from the firm Cox & Palmer, notifying of their intent to take legal action on the security of the R.B.C. loan. It was discovered in this correspondence that the signed guarantee that was originally thought to be for \$250,000 was in actual fact a signed guarantee in the amount of \$344,500. This amount had never been requested of the Commission for authorization; however, said guarantee was also made in the name of YSC Forest Products Association, Inc. and not the YSC Board. Since the YSC Forest Products Association Inc. is a separate not-for-profit company with no agent relationship with the YSC Board, it would not be

required under the *Natural Products Act* to seek authorization of the Commission to provide the guarantee on the loan from R.B.C. to M.F.E.

SUMMARY OF INVESTIGATION FINDINGS

LOANS / GIFTS WITHOUT AUTHORITY

In July of 2008, the YSC Board provided a loan (supported by a promissory note) of \$290,681 as part of a Joint Venture Agreement with B & M Contractors Ltd. for the purchase of the former M.L. Wilkins & Sons Ltd. sawmill on the Royal Road in Fredericton, New Brunswick.

From July 2008 until September 9th, 2013, YSC Board continued to financially support the M.F.E. operations through the payment of various expenses, including, but not limited to, payroll expenses, maintenance and repairs and property taxes. YSC Board financial support was recorded as either increases to the original promissory note with 639103 NB Ltd. or as direct payment of M.F.E. expenses and reported in audited financial statements as due from related parties.

On September 9th, 2013, a joint venture dissolution agreement was signed and in that agreement there was a clause that absolved 639103 NB Ltd. of any and all debts owing to the YSC Board. Although it is unclear what YSC Board was owed at the time of signing the dissolution agreement, as of the audited financial statement for the year ended March 31, 2014, the due from related party amount from 639103 NB Ltd. was reported to be \$618,180 (despite the dissolution agreement).

The joint venture dissolution agreement also contemplated that M.F.E. would issue shares to YSC Board in proportion to the debts forgiven. The shares were never issued.

Beyond September 9th, 2013, YSC Board continued to support M.F.E. As of the audited financial statement for the year ended March 31, 2014, the due from related party amount from M.F.E. was reported to be \$411,314. Of the \$411,314 that was reported owing from M.F.E., \$260,000 was in the form of loans that were given by YSC Board to M.F.E. in November of 2012 (\$60,000) and August of 2013 (2 cheques of \$100,000 each).

On February 20, 2013, YSC Board entered into a log supply agreement with M.F.E. in which the volume and terms of the prices and payments were defined. Within the agreement, it was contemplated that the maximum credit to be given to M.F.E. was \$400,000. On July 17th, 2013, the YSC Board passed a motion to “increase the bridge loan to guarantee the supply of logs up to a cap as established by the log supply agreement (dated February 20, 2013).” Based on that motion, it was determined that the log supply agreement must have been a loan. After March 31, 2014, the value of wood supplied to M.F.E. by YSC Board, and thus the value of the wood supply loan, was \$541,100.67.

At the May 21, 2014 meeting of the YSC Board, a motion was passed to give the Board's retiring General Manager a "retirement allowance" of the equivalent of 1 week of pay for each year of service (26 weeks). As there was no policy of the Board or any kind of employment contract that set this as a condition, the Commission is of the opinion that this type of arrangement is gift over \$1,000.

In total, YSC Board authorized \$1,601,724 in combined loans or gifts to 639103 NB Ltd., M.F.E., or a former employee. The *Natural Products Act*, under which the YSC Board is established, does not give authority for the Board to give loans. Section 26(2) of the Act states that no board shall make grants, gifts, or similar payments of money in excess of one thousand dollars to any person, association, or body of persons without the approval of the Commission. In either case, the Commission finds that the YSC Board acted without authority by giving the abovementioned loans and gifts.

LOAN GUARANTEE WITHOUT AUTHORITY

The YSC Board provided a guarantee of a loan from Regional Development Corporation (RDC) to Maritime Fibre and Energy Inc. on September 23, 2013. The loan was for a maximum of \$200,000. The balance of that loan is \$177,514.65 and a demand for payment has been made to M.F.E. and to YSC Board.

Section 26(1) of the *Natural Products Act* state: Before borrowing money or guaranteeing the repayment of a loan, a board shall obtain the authorization in writing of the Commission, and such authorization shall be subject to such terms and conditions as the Commission may specify.

YSC Board failed to seek the authorization of the Commission of this loan guarantee. As such, the Commission finds that the YSC Board acted without authority by providing this guarantee of the loan between RDC and M.F.E.

MISUSE OF FOREST MANAGEMENT FUNDS

YSC Board Order 2002-201 is an order that specifies the activities that forest management levies collected by the board can be used for. The March 31, 2014 audited financial statement balance sheet shows a Forest Management Fund balance of \$1,054,825 and a General Fund Balance of \$465,858. Over the period investigated, the YSC Board made loans, gifts and loan guarantees that exceed the total of the two funds. It is irrelevant as to whether or not the loans or gifts ever get repaid by the "related parties"; use of the Forest Management Funds should have been restricted to the activities listed in YSC Board Order 2002-201. The Commission finds that the YSC Board has used Forest Management Funds inappropriately and without authority established by the YSC Board's own Order specifying such.

INVESTMENT IN ACTIVITIES OUTSIDE OF BOARD MANDATE

Over time, the Commission has been aware of various Forest Products Marketing Boards investing or becoming directly involved in wood processing or other types of businesses. Historically, these projects have been mostly unsuccessful and in most cases, created some kind of financial hardship for the organizations. And, although the Commission has been aware of these “projects”, the Commission has failed to ask the legal question as to whether these activities are appropriate or not in the context of the *Natural Products Act*.

Specifically in the context of the YSC Board situation, the Commission has sought a legal opinion of that nature. The *New Brunswick Forest Products Marketing Plan*, Regulation 2014-1 (the “Plan Regulation”), establishes the seven Forest Products Marketing Boards in New Brunswick, including YSC Board. Section 7 of the regulation defines the purposes for which the Marketing Boards were established:

- 7 *The purposes for which a Board is established are:*
 - (a) *the promotion, control and regulation within its regulated area of the marketing of the regulated product;*
 - (b) *the promotion within its regulated area of the production of the regulated product;*
 - (c) *the development, conservation and management of forestry resources on private woodlots in its regulated area; and*
 - (d) *the promotion of the consumption and use of the regulated product.*

Paragraph 27(1)(w) of the Act and subsection 9(i) of the Plan Regulation grant YSC Board the following power:

to use, in carrying out the purposes of a plan and paying the expenses of the board, any money received by the board;

While paragraph 27(1)(dd) of the Act and subsection 9(p) of the Plan Regulation grant to YSC Board the powers of a corporation under the *Business Corporations Act* and consequently some discretion in the use of its funds, it is circumscribed by the requirement in the Plan Regulation that the funds must be used solely for the purposes of carrying out the Plan Regulation.

In short, the Commission has received legal advice that investing in a wood processing operation does not come within the purposes set out in section 7 of the Plan Regulation. This would apply to not only YSC Board, but any of the Forest Products Marketing Boards in New Brunswick. Therefore the Commission finds that investment in any business or project that does not fall within the purposes of a Forest Products Marketing Board established by the Plan Regulation is inappropriate. While it is recognized by the Commission that this judgment is late coming with respect to the YSC Board situation, it is extremely relevant to the Recommendations section of this report.

GENERAL FIDUCIARY RESPONSIBILITY

The Plan Regulation that establishes the Forest Products Marketing Boards also defines the mission statement and strategic objectives of a Board, as follows:

- 8 *The mission statement and strategic objectives of a Board are:*
 - (a) *through communication, liaison, research and education, to represent people within its regulated area who market or produce and market the regulated product to other sectors of the forest industry, consumers and the public, with respect to all matters concerning the marketing or the production and marketing of the regulated product; and*
 - (b) *to promote the development and use of private woodlots within its regulated area as a dependable source of supply of high quality primary forest products for wood-using industries.*

Directors of Forest Products Marketing Boards are typically elected through a democratic process that is defined within the Commission's regulations for each Board. Those directors are responsible for protecting the interests of the owners or producers within the board district that they have been elected to represent. Protection of the owners or producers financial interests in the organization can be defined as fiduciary responsibility or fiduciary duty.

As such, the directors of YSC Board had a fiduciary responsibility or duty to the people they represented to protect the financial well-being of the organization. While the investigation did not reveal any apparent fraudulent activity, the actions that YSC Board directors carried out or allowed to be carried out demonstrate a disturbing pattern of complete disregard or a severe lack of understanding of their fiduciary responsibilities to the owners and producers of the YSC Board. In either case, the Commission finds that the YSC Board has failed to carry out its fiduciary responsibilities to the people they represent and to the organization as a whole.

RECOMMENDATIONS

On its findings and the severity of the implications of the actions of the YSC Board, the Commission makes the following recommendations:

1. That the Commission create a regulation concerning the governance of the YSC Board, giving the Commission the authority to remove (dismiss) the suspended directors from the Board for cause and allow for the appointment of replacement directors to the Board by the Commission. The regulation would allow for the term length of appointments to the Board to be staggered (ie. one, two and three year terms) and allow for the Board to revert to an election process after the terms expired. The regulation would also reduce the size of the Board from 23 members to 11 members, or one representative per District within the YSC Board regulated area.

2. That the Commission create a presentation for the directors to be appointed to the YSC Board, followed up with directors from all other Marketing Boards, with the objective of better educating them of their duties, responsibilities and governance best practices, both generally and specifically with respect to the legislation.
3. That the Commission collaborate with each of the Marketing Boards in the development of "Conflict of Interest" policy that can be implemented in each Marketing Board.
4. That once it has appointed the new directors and ceases to carry out the powers of the YSC Board, the Commission will continue to closely monitor the financial matters of YSC Board, including but not limited to requiring the filing of monthly financial statements, over and above the normal reporting requirements of the Commission.
5. That the Commission issue a directive to all Forest Products Marketing Boards that prohibits any Board from investing or becoming directly involved in businesses that are not within their legislated mandate.
6. That the Commission reviews the current requirements for the filing of information from all Forest Products Marketing Boards and if required, adjust filing requirements to improve the effectiveness of the Commission's general supervision of the Boards.

APPENDIX 'A'

**NEW BRUNSWICK FOREST
PRODUCTS COMMISSION
ORDERS PURSUANT TO
INVESTIGATION INTO BUSINESS
AND AFFAIRS OF
YORK SUNBURY CHARLOTTE FOREST
PRODUCTS MARKETING BOARD**

ORDER No. 2014-514

24th September 2014

The New Brunswick Forest Products Commission (Commission) hereby rescinds Order No. 2014-513 and makes the following ORDER, pursuant to section 12 of the Natural Products Act, S.N.B. 1999, c.N-1.2, "Act".

a) For the purposes of section 12(3) of the Act, the Commission hereby orders an investigation of the business and affairs of the York Sunbury Charlotte Forest Products Marketing Board.

b) The Commission hereby expressly delegates to its Secretary and Executive Director, Tim Fox, and to Carol Dixon all of its powers under section 12 of the Act to conduct such investigation and the said Secretary and Executive Director is directed to produce a report for the Commission pursuant to section 12(4)(b) of the Act.

c) The Commission hereby authorizes its Secretary and Executive Director to engage an independent accounting firm to conduct a review of the financial affairs of the York Sunbury Charlotte Forest Products Marketing Board from April 1, 2014 to present and provide the Commission with a report and opinion.

By Order of the New Brunswick Forest Products Commission.

Dated at Fredericton New Brunswick this 24th day of September 2014.

Signed: Brian Mosher, Chairman
New Brunswick Forest Products Commission

ARRÊTÉ N° 2014-514

Le 24 septembre 2014

Par la présente, la Commission des produits forestiers du Nouveau Brunswick « Commission » annule l'arrêté 2014-513 et rend l'ARRÊTÉ suivante, en vertu et sous le régime de paragraphe 12 de la Loi sur les produits naturels, S.N.-B. 1999, c.N-1.2 "Loi",

a) Aux fins de l'article 12, paragraphe 3, de la Loi, la Commission ordonne une enquête de l'entreprise et des affaires de l'Office de commercialisation des produits forestiers de York Sunbury Charlotte.

b) La Commission, par la présente, délègue expressément à son Secrétaire et Directeur exécutif, Tim Fox, et à Carol Dixon, tous ses pouvoirs en vertu du paragraphe 12 de la Loi pour mener l'enquête et donne directive à ladite Secrétaire et Directeur exécutif de rapporter ses conclusions à la Commission en vertu de l'article 12, paragraphe 4 b) de la Loi.

c) La Commission, par la présente, autorise son Secrétaire et directeur exécutif d'engager une firme de comptabilité indépendante à un examen de la situation financière de l'Office de commercialisation des produits forestiers de York Sunbury Charlotte du 1^{er} avril 2014 au présent et de fournir à la Commission un rapport et une opinion.

Par arrêté de la Commission des produits forestiers du Nouveau-Brunswick.

Fait à Fredericton, Nouveau-Brunswick, le 24^{ième} jour de septembre 2014.

Signé : Brian Mosher, président
Commission des produits forestiers du
Nouveau-Brunswick

APPENDIX 'B'

**NEW BRUNSWICK FOREST
PRODUCTS COMMISSION**

**INVESTIGATION INTO BUSINESS
AND AFFAIRS OF
YORK SUNBURY CHARLOTTE FOREST
PRODUCTS MARKETING BOARD**

SEQUENCE OF SIGNIFICANT EVENTS

DATE / TIME PERIOD	ISSUE / DECISION
19-Mar-08	Motion to pledge bid bond to a maximum of \$250,000 for Wilkins Mill bid.
16-Apr-08	Payment to Whitehead, Bird, Miles in trust \$214,579
2-May-08	Payment to Whitehead, Bird, Miles in trust \$5,421
21-May-08	Motion to form a corporation - Rick Doucett and Keith Munn appointed as directors
16-Jun-08	Certificate of revival for YSC Forest Products Association Inc. - returns for 1990 through 2008.
4-Jul-08	Payment to Whitehead, Bird, Miles in trust \$70,680.92.
4-Jul-08	Joint Venture Agreement signed.
4-Jul-08	Promissory note prepared and signed between numbered company and YSC Board.
16-Jul-08	Motion to pay legal fees, environmental assessment - no amounts.
16-Jul-08	Motion to sign Joint Venture Agreement.
29-Jul-08	Payment to Whitehead, Bird, Miles - \$10,626.24 assumed to be legal fees.
13-Aug-08	Payment to Fundy Engineering - \$4,565.25 assumed to be an environmental assessment.
18-Mar-09	TD Review Reduces YSC Operating from \$600,000 to \$350,000.
31-Mar-09	YSC Board Audited Financial Statements reflect \$345,292 as Due from Related Party.
17-Jun-09	Motion to renew Borrowing Authorization of Commission in amount of \$800,000.
24-Jun-09	Joint Venture Agreement amended. No discussion by YSC Board.
16-Sep-09	Motion to pay half of property taxes for mill property.
21-Sep-09	Payment to 639103 NB Ltd for property taxes.
20-Jan-10	Decision to renew registration of YSC Forest Products Association Inc. in case they wanted to use it for pellet sales, etc.
31-Mar-10	YSC Board Audited Financial Statements reflect \$469,983 as Due from Related Party.
16-Jun-10	Documents filed with Business New Brunswick for financing of mill.
16-Jun-10	Decision to cover any shortfall between revenue and expenses of the mill.
26-Jun-10	Joint Venture Agreement amended. No discussion by YSC Board.
21-Jul-10	Manager reports on Business New Brunswick rejection for financing.
20-Oct-10	Manager reports on meetings with RBC for mill loan.
17-Nov-10	Report on RBC financing. Requirement of a shareholder to provide 25% guarantee. Decision to request authorization of Commission for \$125,000 loan guarantee.
19-Jan-11	Manager reports on Commission approval of separate authorizations for regular banking and RBC loan guarantee.
19-Jan-11	Mention of a \$5,000 bill from an accountant.
19-Jan-11	Decision to pay \$300 per month for warehouse and use of forklift.
19-Jan-11	Decision to pay fuel bill for numbered company - no amount detailed.
3-Feb-11	Manager informs executive that mandate of YSC to pay expenses related to everyday maintenance of the property expired with the expiry of the Joint Venture Agreement.
16-Feb-11	Mention of a February 23, 2011 shareholders meeting for the mill. Hope to have final offer from RBC at that meeting.
16-Mar-11	Report that M.F.E. received small business tax credit, approval of a loan - no details.
31-Mar-11	YSC Board Audited Financial Statements reflect \$555,511 as Due from Related Party. Also reflect \$1,000 investment in Maritime Fibre and Energy Inc.
27-Apr-11	Chairman reported on proposed term sheet between numbered company and Maritime Fibre and Energy. Decision not to accept term sheet. No details.

DATE / TIME PERIOD	ISSUE / DECISION
22-Jun-11	Proposal to distribute loader fees between YSC, MFE, and numbered company.
20-Jul-11	Update on chipping project in mill, Worksafe NB issues, trial scheduled for August 6, 2011.
11-Aug-11	Update on chipping trial, Worksafe NB issues to resolve.
Sept. 2011 to Feb. 2012	No mention of mill in board minutes.
21-Mar-12	Mention of interest in the mill by un-named parties.
31-Mar-12	YSC Board Audited Financial Statements reflect \$624,190 as Due from Related Party. Also reflect \$1,000 investment in Maritime Fibre and Energy Inc.
22-May-12	Joint Venture Agreement amended
23-May-12	Decision for YSC Board to pay up to \$6,000 per month for up to 6 months towards property taxes in arrears, pending agreement from MFE shareholders.
1-Jun-12	Joint Venture Agreement amended. No discussion by YSC Board.
20-Jun-12	Report on MFE shareholders meeting, appointment of directors for MFE and discussion of releasing funds for start-up work.
18-Jul-12	Decision for YSC Board to "back" the RBC loan to MFE by \$250,000, followed up by an email September 27, 2012 from manager requesting adjustment in authorization by Commission.
19-Sep-12	Report on work underway since July - expenditures of approximately \$60,000 to date.
17-Oct-12	Credit Line for MFE established by Royal Bank of Canada.
25-Oct-12	Security Agreement established – guarantee by YSC Forest Products Association Inc.
1-Dec-12	Joint Venture Agreement amended. No discussion by YSC Board.
16-Jan-13	Update on mill work in minutes - no details.
20-Feb-13	Decision to accept log supply agreement between MFE and YSC Board, extension of Joint Venture agreement.
21-Feb-13	Joint Venture Agreement amended. Discussed previous day.
20-Mar-13	Report of a manager, millwright and filer being hired for the mill.
20-Mar-13	Manager presents a report on the YSC Board financial exposure with the mill project.
31-Mar-13	YSC Board Audited Financial Statements reflect \$795,391 as Due from Related Party. Also reflect \$1,000 investment in Maritime Fibre and Energy Inc.
24-Apr-13	Report on meeting with Business New Brunswick, concern over legality of Joint Venture Agreement, if not Business New Brunswick would not be able to do a loan with MFE.
24-Apr-13	Update on continuing work in the mill to prepare for a startup.
22-May-13	Decision by board to receive loan from Business New Brunswick on behalf of MFE.
19-Jun-13	Report on meetings - no details. Startup date of July 15th established.
17-Jul-13	Decision to increase bridge loan to guarantee the supply of logs up to a cap established by log supply agreement.
22-Aug-13	Reporting production is still below projections. Mechanical issues discussed. Cash flow issues.
29-Aug-13	Lease-to-own agreement signed between numbered company and MFE.
9-Sep-13	Joint Venture Agreement dissolved, signed by YSC Board manager.
18-Sep-13	Report on being close with planer, but not there yet.
18-Sep-13	Business New Brunswick loan looks like it will finally happen, needs to be signed.

DATE / TIME PERIOD	ISSUE / DECISION
18-Sep-13	Manager reports that Joint Venture Agreement was dissolved (signed by manager) as a condition to Regional Development Corporation loan to MFE.
25-Sep-13	Corporate Guarantee and Agreement to Indemnify signed, guaranteeing loan between Regional Development Corporation and MFE.
16-Oct-13	Planer still having issues.
20-Nov-13	Update on MFE annual meeting and mill - no details.
15-Jan-14	Mill update - losses continue, some equipment performing better. Mill needs more logs.
19-Feb-14	Manager provides written update on mill progress and financial exposure. Decision by board to investigate options for securing YSC investment.
19-Feb-14	Written update - manager acknowledges that YSC investment is not very secure. Also acknowledges that YSC Board guaranteed loans with RBC and RDC.
31-Mar-14	YSC Board Audited Financial Statements reflect \$1,029,494 as Due from Related Party. Also reflect \$1,000 investment in Maritime Fibre and Energy Inc. Also noted is a trade receivable with M.F.E. in the amount of \$616,160.
21-May-14	Auditor for Spacek & Norrad expresses concern over the wording of the Joint Venture dissolution agreement and lease agreement, indicating that YSC Board writing off debt of \$1.6 million.
21-May-14	Discussion of Manager retirement at the end of June, discussion of a retirement package of 1 week of pay for every year worked.
21-May-14	Discussion of draft income statement indicating that the mill made money.
26-May-14	Guarantee & Postponement of Claim signed with RBC loan to MFE - in name of YSC Forest Products Association Inc. Total loan amount up to \$344,500.
18-Jun-14	Update on mill - some upgrades going on and loader maintenance.
18-Jun-14	Discussion of Commission letter concerning YSC Board involvement with mill.
30-Jun-14	YSC Board Manager retires. Remains on payroll until December 24, 2014 as per retirement package given by YSC Board.
16-Jul-14	Update on lack of progress with mill - no details.
17-Sep-14	Discussion of Commission investigation. Decision by YSC Board to cooperate with Commission. Discussion of RBC loan.
17-Sep-14	Decision to approach Commission on how to handle RBC loan guarantee. Decision to meet with RBC to discuss a repayment plan.
7-Oct-14	Statement prepared by acting manager for log supply receivable, adjusted per terms of agreement.
15-Oct-14	Discussion of Commission request for further information on retirement package given to former manager and demand letter to issue to MFE.
19-Nov-14	Discussion of Commission investigation. Approval for manager to pay Spacek and Norrad for work done for the investigation.
21-Nov-14	Demand letter issued on behalf of RBC for repayment of MFE loan in amount of \$252,679.78.
23-Dec-14	Commission orders for the powers of the YSC Board to be carried out by the Commission. Further orders the 6 month suspension of the YSC Board directors.
20-Feb-15	Demand Letter issued from Regional Development Corporation to MFE and YSC Board for repayment of loan in the amount of \$177,411.17.
27-Mar-15	Judgment issued against Maritime Fibre and Energy / YSC Forest Products Association Inc. on behalf of Royal Bank of Canada