



Athlii Gwaii Legacy Trust

PO Box 588

Masset BC V0T 1M0

Phone: 1-250-626-3654/ Fax: 1-250-626-3261 (Masset Office)

Phone: 1-250-559-8883/ Fax: 1-250-559-8876 (Skidegate Office)

Athlii Gwaii Legacy Trust (AGLT) Report for the Fiscal Year Ended Dec 31st 2016

Pursuant to Sections 2(11) and 36(b) of the Deed of Trust settled as of March 29, 2007 (the “Trust Deed”)

Preamble:

The audited statement of the financial position of the Trust as of December 31st, 2016 can be found under the heading, “AGLT 2016 Financial Statement” on the Trust’s website at: <http://www.aglt.ca>

Over the course of the fiscal year ending December 31, 2016 (“Fiscal 2016”), the only withdrawals of funds from the Trust’s investment fund (the “Fund”) were expenditures solely for the accumulation of investment income by the Fund and the paying of monthly reoccurring operational expenses related to the accumulation of that income, and extraordinary legal expenses in the on-going resettlement of this Trust agreement. (See Financial Results, Expenses below).

As discussed in the fiscal 2015 Operations Report, the federal government has confirmed their intentions in a letter of comfort to the Trustees, and issued a second note reconfirming¹ their intention to support the transition of the AGLT to a not for profit corporation with parallel purposes². The Trustees have agreed to hold fast on any new funding initiatives until the federal government has authorized, through the use of federal legislation, an edict authorizing such a transfer. In numerous meetings with both the Province and the Federal Government representatives it is anticipated this authorizing legislation will be forthcoming sometime during 2017.

In Sept of 2014 the Gwaii Trust Society engaged UBC’s Sauder School of business to undertake a broad-based community review. (As part of the Gwaii Trust Five year Performance Review - Funded through GTS) While the primary focus of the interviews related to GTS, Islanders are very familiar with the parallel relationship between GTS and AGLT, and virtually all conversations were equally relevant to both organizations. This phase of the work concluded March 01st 2015.

Findings were based on 38 stakeholder interviews, 18 residents feedback from public input sessions, 106 public survey responses, and an economic development forum put on by GTS in Nov of 2014 (Over 100 attendees) Trustees continued to work with UBC’s Sauder School of Business

¹ See addendum #001

² See addendum #002



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throughout 2015, working to develop a strategic work plan based on the findings of the Sauder group.³

In its final phases of development the work plan takes a holistic approach to funding on Haida Gwaii with the Gwaii Trust and the Athlii Gwaii Legacy Trust as a joint pool of funding available for islanders. Focusing on healthy individuals, healthy communities and a healthy island, the business plan accords support to all three areas with the AGLT funding stream dedicated to funding community initiatives centered on creating economic opportunity.

Granting and expense guidelines will continue to mirror those of the Gwaii Trust Society on a proportional basis, with total expenses restricted to a maximum of 4.0% of assets under administration. However, as the fund has been dormant for seven years there has been a significant accrual of income that will result in the Trustees exceeding the 4% maximum until the fund's buffer⁴ falls to an amount appropriate to sustain expected returns necessary of a perpetual fund.⁵ Today's buffer sits at approximately 36% of the funds under administration.

Projects:

A. Summary and explanation of practices used in review, evaluation and approval of Eligible Projects in the fiscal year ended December 31, 2016.

No call for projects was put out in fiscal 2016, the Trustees are awaiting for approved legislation to be enacted by the Federal Government to allow for the collapse of the original entity into the newly approved not for profit corporation.

B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2015.

There were no further projects awarded or expenditures on the sole outstanding project by the Secretariat of the Haida Nation for the compilation of a hard cover book "30th Anniversary of the

³ Copies of both reports may be found on the Gwaii Trust's website www.gwaitrust.com by Mar 31st 2017.

⁴ The term "buffer relates to the difference between the protected amount of the fund and the actual market value of the fund

⁵ Fund managers and actuarial experts believe that in order to minimize the risk of capital depletion, in today's market environment, annual drawdowns should hover around 3% of assets under administration.



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Stand at Athlii Gwaii”, the original amount awarded was \$63,240.00; over the course of the 2015 fiscal year \$12,648.00 was disbursed of the approved amount leaving an outstanding balance of \$50,592.00 yet to be funded. We anticipate that this project’s balance would be fully funded during fiscal 2017.

Summary and explanation of the Trust’s Statement of Financial Position in fiscal 2016; material changes and points of note.

Financial Results:

Expenses - The Trust continued to carry only one small project, advancing \$12,648.00 of the project approval in fiscal 2015. Expenses were on budget, with the Fund’s only expense items being those necessary to maintain the Fund’s ongoing investments and audit/accounting processes, and extraordinary legal expenses in the on-going resettlement of this Trust agreement. The Trustees have broached the subject of reimbursement of costs, however the Province has not been forthcoming with current support for those discussions as of this writing. We will endeavour to continue to pursue these conversations more vigorously once all terms have been settled and legislation cleared.

Income – The Fund grew by a net excess of \$2.6 million over fiscal 2015’s year-end.

Annual fund gross returns before expenses and fees:

Fund	2016 Annual Return	% of year end portfolio
PHN	9.96%	42.35%
Templeton	2.72%	27.29%
Nicola	6.20%	30.36%
Total (Weighted)	6.84%	100.0%

Minimal fund withdrawals continued to play a large role in the funds continued growth, while the well balanced portfolio offset the many market fluctuations in 2016, keeping the Trust above target (Approximately 6.5% annual returns) in fiscal 2016.

There were no Statement of Investment Policies and Procedures (the “SIPP”) revisions in 2016, an annual review of our SIPP is planned for the first quarter of 2017.



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Summary and explanation of the investment strategy of AGLT in fiscal 2016 and any material changes in the investment of the property of the Trust.

As mentioned previously there were no material changes to the Trust's (SIPP) in 2016. The following table sets out the respective weightings of asset classes in the Trust's portfolio of assets as at the end of calendar 2016 (Dec 31st 2016):

Asset Class	As a % of Portfolio	SIPP Range
Canadian Equities	18%	15 – 25%
International Equities	41%	28 – 38%
Total Equities	60%	43 – 63%
Real Return Bonds	12%	10 – 20%
Federal Bonds	04%	
Provincial & Municipal Bonds	06%	
Corporate Bonds	06%	
Total Nominal Bonds	16%	12 – 22%
High Yield Bonds	01%	00 – 10%
Total Bonds	28%	22 – 52%
Mortgage Fund	01%	
Real Estate	11%	
Total Mortgage & Real Estate Funds	12%	05 – 15%
Cash	00%	
Treasury Bills & Short Term Investments	00%	
Total Cash / Short Term Notes	00%	00 – 00%
Total	100%	70 – 130%

International equity markets are slightly over our portfolio guidelines due to a strong jump in market values after the US presidential election, this slight overage will be corrected through fund expense withdrawals towards the close of the first quarter of 2017.

Athlii Gwaii Legacy Trust Trustees Approval:

February 28, 2017

[Signature]

Date, As To Both Signatures:

[Signature]



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Addendum #01



Natural Resources
Canada

Ressources naturelles
Canada

Canadian Forest
Service

Service canadien des
forêts

Pacific Forestry Centre
506 West Burnside Road
Victoria, BC V8Z 1M5

Telephone: (250)363-0600
Facsimile: (250)363-0775

Athlii Gwaii Legacy Trust
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October 12, 2016

Attention: James Cowpar, Chairperson and the Trustees of Athlii Gwaii Legacy Trust

Re: Athlii Gwaii Legacy Trust ("AGLT") – the proposed termination of AGLT and transfer of its asset to a corporation to be incorporated pursuant to the *Canada Not For Profit Corporations Act* (the "CNFPCA")(the "Transition")

Dear Mr. Cowpar and the Trustees of AGLT:

This letter is further to the meeting (the "Meeting") held in Victoria on September 26, 2016 between myself, representatives of my department, representatives of the Government of British Columbia (the "BCG"), the Executive Committee of AGLT, employees of AGLT and its legal counsel in which I reported to AGLT about progress in understanding the position of the Government of Canada (the "GOC") in respect of the plausible options to pursue Transition.

I called the Meeting in order to honour my commitment made in the previous meeting with materially the same participants held in Victoria on June 28, 2016. At that time I undertook to report to AGLT about the GOC's progress towards understanding plausible options that could be pursued to enable a Transition in late September, 2016.

While it seemed reasonable at that earlier meeting that the GOC would be in a position to understand Transition options by late September, 2016, summer holidays and ongoing legal review and communications between departments of the GOC has precluded our understanding of the same.

The reason that more than one department is involved is due to the fact the the Canadian Forest Service (the "CFS") was part of Environment Canada (now GOC's Department of Environment and Climate Change ("ECCC")) when the initial South Moresby Agreement was signed. The CFS joined the GOC's Department of Natural Resources ("NRCan") in 1993, but continued to be involved in the South Moresby Forest Replacement Account ("SMFRA"). This meant that it was ECCC who signed the Amending Agreement between the GOC and the Province of British Columbia that allowed the formation of the AGLT under its former name of "Gwaii Forest Charitable Trust" in 2007 with input from the CFS. This departmental history means that discussion



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regarding the Transition needed to occur between lawyers and finance officials from both NRCan and ECCC. Given NRCan's review of the Transition, our current understanding is that authorities related to the Transition formally rest with ECCC.

On September 15, 2016, NRCan transferred relevant documents to ECCC describing the original agreements and trust formation, which they are reviewing to inform Transition options. It is now expected that the ECCC review will inform next steps regarding a potential Transition by the end of October.

I am committed to continue to work to bring closure to this matter and will continue to meet with interested parties and to report out on progress to this end.

Yours Sincerely,

Judi Beck, PhD, RPF
Director General
Pacific Forestry Centre
Canadian Forest Service
Natural Resources Canada



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Addendum #002

Purposes:

ATHLII GWAII LEGACY TRUST CORPORATION PURPOSES AS SUBMITTED TO CRA DRAFT CURRENT TO FEBRUARY 9, 2017

- (a) To relieve poverty of persons who are in need living the in the archipelago of Haida Gwaii ("Haida Gwaii") by providing the necessities of life, residential accommodation at below market rate, and by providing support and incidental facilities to individuals or families who are in need.
- (b) To improve socio-economic conditions on Haida Gwaii for the benefit of the public by conducting research that will be publically disseminated to establish the socio-economic profile of the communities on Haida Gwaii, assess their socio-economic strengths and weaknesses, and identify opportunities for developing a long-term sustainable economy for those communities.
- (c) To repair, improve and create public infrastructure works on Haida Gwaii for the benefit of the public.
- (d) To provide counselling to and to develop employment training and education programs for needy persons.
- (e) To advance education by providing structured learning activities such as courses, instructional seminars, and workshops about traditional and contemporary visual and performance arts, and by providing opportunities for students to publicly exhibit, present, or perform their works, or develop their crafts or skills in conjunction with these learning activities.
- (f) To advance education by providing publicly available scholarships, bursaries and other forms of financial assistance to residents of Haida Gwaii to be used for post-secondary education.
- (g) To advance education for the benefit of the youth of Haida Gwaii by operating centers and camps that provide training and instruction in arts, crafts and good citizenship.



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- (h) To advance the public's appreciation of the arts by producing public art exhibitions, presentations, and performance arts events, and by providing a forum for qualified artists to exhibit, present, or perform their artistic works through participation in such events.
- (i) To preserve the cultural heritage of the indigenous peoples of Haida Gwaii for the benefit of the public by:
 - (i) protecting and preserving significant heritage sites by restoring, developing, and maintaining sites on Haida Gwaii that have been designated as historic by the Department of Canadian Heritage, or other provincial or municipal authorities with a view to commemorating the site and educating the public about it; and
 - (ii) conducting research that will be publically disseminated relating to the cultural heritage of Haida Gwaii.
- (j) To protect the environment for the benefit of the public by:
 - (i) conserving or restoring ecosystems and biodiversity on a long-term basis; and
 - (ii) conducting research relating to the environment and to disseminate the results of such research.
- (k) To coordinate health care and social services for people with debilitating diseases, illnesses and conditions, including persons affected by substance abuse.
- (l) To promote public participation with volunteer and community organizations with an aim to foster good citizenship and encourage healthy communities on Haida Gwaii.
- (m) To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to persons that are qualified donees under the *Income Tax Act* (Canada).
- (n) To do all such other things as are incidental and ancillary to the attainment of the foregoing purposes and the exercise of the powers of the Corporation.