

Gwaii Forest Charitable Trust

Operations Report

2008

Pursuant to Sections 2(11) and 36(b) of the Deed of Trust made as of March 29, 2007 by the Gwaii Trust Society, the Initial Trustees and the Initial Protector (the "Trust Deed")

A. Summary and explanation of practices used in review, evaluation and approval of Eligible Projects in the fiscal year ended December 31, 2008.

The following is a summary & explanation of the procedures used by the trustees (the "Trustees") of the Gwaii Forest Charitable Trust ("GFCT") in the review, evaluation & approval of eligible projects in respect of the fiscal year of GFCT ended December 31, 2008.

In accordance with its obligations as agent of the GFCT, the Gwaii Forest Society ("GFS") prepared the standards and objectives for eligible projects which have been approved by the trustees and form the basis of the Guide to Program and Application Process (Appendix 1). The Call for Proposals for Eligible Projects was opened in the Sustainable Forest Management program area of GFCT's purposes in September 2007. Applications were not invited in the Community Stability program area, which was under development at the time.

The GFS's eight-member Board of Directors (the "GFS Board") was responsible for the overall policies and practices of the GFS in its capacity as agent for GFCT. Such policies and practices were subject to approval by the trustees of the GFCT to the extent that they affect the GFS activities as agent of the GFCT. In considering applications with respect to Eligible Projects, the GFS Board relied on an administrative review by the GFS's Executive Director who ensured the projects proposed to the GFS were "eligible". Such projects found to be eligible are then forwarded for review to the Technical Advisory Committee of community volunteers experienced in education and forest management presently serving in the Sustainable Forest Management program area. The GFS Board then reviewed the proposed Eligible Projects, taking into consideration the recommendations from the GFS Executive Director and the Technical Advisory Committee and, if required, professional advisors.

This three-stage review process began after the close of the Call for Proposals in October, 2007. The GFS Executive Director determined that one proposal was not an Eligible Project and another proposal failed to meet basic application requirements including the standards and objectives approved by the trustees. A total of 19 proposals were forwarded for review and comment to the Technical Advisory Committee. The Committee's recommendations were then forwarded to the GFS Board.

The GFS Board met January 7 and 8, 2008 to review the proposed 19 Eligible Projects. A summary of such projects, with an explanation of how they qualify to be "Eligible Projects", and associated budgets was forwarded to the trustees of the GFCT for consideration and approval.

The GFCT trustees approved the 19 Eligible Projects for the fiscal year ending December 31, 2008 at its January 19, 2008 meeting.

Each proponent of an Eligible Project that is approved for funding by the Trustees executed a service agreement with the GFS, as agent for the GFCT. These service agreements provided details outlining financial and performance measures and expectations, timetable for advances and disbursements as well as measures taken for non-compliance, including a 20% hold-back of funding.

B. Full Listing of all Eligible Projects for which funding by the GFCT was funded in the fiscal year ended December 31, 2008.

Deer Browse Restoration (\$8,550)

RESEARCH—The Research Group on Introduced Species was engaged by the GFS to hire local hunters to maintain reduced browsing pressure on Reef Island through a cull. This is part of a long-term research effort by RGIS to achieve and understand the effects of a prolonged reduction of deer browsing in the natural forests of Haida Gwaii.

The Research Group on Introduced Species, a non-profit society, is under contract to GFS.

Goshawk Population Status (\$34,825)

RESEARCH—Through the continued monitoring of known nests and locating new nests in areas where harvesting pressure is highest, this project provided GFS with critical information for strategic and operational planning of the red listed Northern Goshawk.

Frank Doyle of Wildlife Dynamics Consulting is under contract to GFS.

Junior Ranger Stewardship Training Program (\$31,931)

EDUCATION AND TRAINING—In partnership with the BC Ministry of Forest and Range, GFS built local capacity in forest stewardship by introducing eight high school students from the north and south ends of the Islands to careers in resource management through exposure and hands-on experience in a variety of forest related activities for six weeks in the summer of 2008.

A grant was made to the BC Ministry of Forests and Range.

Incorporating Cultural Use Species (\$57,292)

RESEARCH—In partnership with Royal Roads University and the Haida Tribal Society, through the Forest Guardians, this project used participatory research to develop a method for quantitative and qualitative inventory of culturally valuable understory species. In addition, the project developed habitat models and then applied those habitat models to existing inventory and geographic information system (“GIS”) coverage to build a predictive landscape map for cultural use species on Haida Gwaii.

A grant was made to Royal Roads University.

Forest for a Living (\$13,900)

EDUCATION AND TRAINING—This project encouraged youth (grades 5-10) to take part in forest field trips and to learn about what forestry jobs involve. The goal was to create a greater appreciation of forests and to encourage students to pursue careers in forestry related industries.

Josina Davis is under contract to GFS.

Information Support for Land Use Planning Implementation (\$79,856)

RESEARCH AND PLANNING—The Gowgaia Institute contributed its GIS resources to develop models and maps that contribute to forest ecology and understanding the spatial implications of ecosystem-based management (“EBM”) on the landscape for the land use plan with a focus on cedar, the condition of riparian forest and timber economic trends.

A grant was made to the Gowgaia Institute as a project of Earthlife Canada Foundation (#118890383RR0001)

Coastal Guardian Watchman Certificate Program (\$47,600)

EDUCATION AND TRAINING—This was a First Nations college level training course in sustainable resource management practices (forestry, fisheries) offered throughout the traditional territories of the Haida Nation. Completion of the program entitled successful students to a formal Certificate.

The Haida Watchman Society, a non-profit society, is under contract to GFS.

Karst Assessment (\$18,700)

RESEARCH & PLANNING—This project provided GFS with a strategic overview assessment of the forest karst resources on Haida Gwaii, describing their occurrence, characteristics and status, and providing guidance for improving local land use planning and sustainable development initiatives through such knowledge. Soil loss and maintenance of water quality are areas of particular concern, especially for forestry road building and karst knowledge is important in understanding these matters. Karst is a three-dimensional soluble rock landscape—often occurring as underground limestone caves—that are highly susceptible to environmental change.

Paul Griffiths is under contract to GFS.

Everything Canoe (\$19,505)

EDUCATION AND TRAINING—The GES funded the Haida Gwaii Museum with educational partners to develop appropriate, culturally sound curricula that integrates the making of traditional Haida cedar canoes with knowledge of the forests and understanding of Haida culture, history and pride of place.

A grant was made to the Haida Gwaii Museum (#10786 7996 RP0001).

Cultural Value Monitoring Program for EBM Implementation (\$91,242)

RESEARCH AND PLANNING—The Forest Guardians will develop a monitoring protocol and methodology for identification of cedar and other forest vegetation having Haida cultural value with respect to the EBM objectives in the Strategic Land Use Agreement.

The Haida Tribal Society, a non-profit society, is under contract to GFS.

Cost-Benefit Analysis for LiDAR (\$24,751)

RESEARCH AND PLANNING—LiDAR (Light Detection And Ranging) is a remote sensing technique for gathering very high-resolution data on elevation and vegetation using reflected laser signals. This project produced two contracted reports (LiDAR cost-benefit and ground control point assessment), with a short evaluation of these results and recommendations from a Technical Committee on what the next steps should be, e.g. a decision to use the colour air photos for a digital elevation model (“DEM”) extraction instead of LiDAR, or recruiting partners for a LiDAR acquisition and processing project.

The Haida Tribal Society, a non-profit society, is under contract to GFS.

In the Company of Elders (\$20,000)

EDUCATION AND TRAINING—“In the Company of Elders” was a multi-media storytelling project with the theme of the forest our elders of Islands people. Its aims were to foster knowledge and understanding of forest life, its unique qualities and interconnectedness, to Islands people and between Islands people. It was presented as a live performance shown to Islands school children and the public.

Judy McKinley is under contract to GFS.

Haida Language Forest Project (\$37,564)

EDUCATION AND TRAINING—The Aditsii Xaad Kil Project delivered sustainable forest management curriculum for the GFS with a focus on Haida ideology and language. The Project combined high quality video teaching tools with interactive and hands-on, in-class games and activities. The video project focused on six videos, and corresponding curriculum package relating to three key Haida themes: Traditional Haida forest stewardship and the need for sustainability today, plant and wildlife identification, and creating awareness in our youth about the real possibilities of careers in forest stewardship.

Xaad Kihlgaa HI Suu.u (Speak Haida Society), a non-profit society, is under contract to GFS.

Fungal Diversity Inventory (\$61,810)

RESEARCH AND PLANNING—This project extended a four-year study of Gwaii Haanas to North Moresby and Graham Island, focusing on the recognition, inventory and evaluation of the fungal component of the land base and how it maintains sustainable forests.

Dr. Bryce Kendrick is under contract to GFS.

C. Summary and Explanation of the investment strategy of GFCT in the fiscal year of GFCT ended December 31, 2008 and any material changes in the investment of the property of GFCT.

The investment strategy of the GFCT is exactly the same as that of the Gwaii Trust Society. A detailed statement of investment policies and procedures of the GFCT is published on the GFCT website. No material changes in those policies or procedures occurred in the fiscal year ended December 31, 2008.

D. Summary and Explanation of the results of consultation between the Trustees and GFS in the fiscal year of GFCT ended December 31, 2008 with respect to the development of plans for the use of income from the property of GFCT.

The capital of GFCT has fallen below the level that it is required to maintain pursuant to the Trust Deed due to securities market volatility in 2008. As a result, it has been determined by the trustees of GFCT (the "Trustees") that they would be in breach of the Trust Deed to expend any further GFCT funds while a capital deficit exists. The Trustees have also, with professional advice, determined that it would not be prudent to resume funding of Eligible Projects from GFCT funds until the GFCT has at least a \$3-million reserve fund to deal with future market volatility so as to avoid the embarrassment of undertaking funding obligations without the eventual funds to live up to such obligations.

Because of this situation, there has been no need to consult with GFS in respect of funding for the time being.

The GFS agency agreement expires at the end of March with a 30-day proviso for accountants to prepare statements and wind down the operation. For the time being, the Trustees have determined not to renew the agency agreement with GFS. When the GFCT is in a position to fund Eligible Projects again, the Trustees will reconsider this decision. GFCT is now only expending funds upon necessary maintenance functions, including actuary fees, investment manager fees, legal fees, protector fees, accounting fees, and basic administration/management fees at a level necessary to maintain the GFCT until it is in a position again to fund Eligible Projects. These expenses are paid by the Trustees and then reimbursed by a deduction from the funds of the GFCT.

The Board is committed to this strategy until the fund recovers an excess of \$3-million dollars over and above the level of protected capital required by the Trust Deed.

The financial statements of the GFCT for the fiscal year ended December 31, 2008 attached hereto as Appendix "A" clearly show the change in financial position of the GFCT's capital fund due to market volatility. Today the GFCT's capital continues to be roughly \$2-million under the required capital amount with basically a flat outlook for its assets for the rest of 2009.

The Trustee will provide a full accounting, based on final reports to be received from GFS, as to the final dispensation of projects undertaken in the 2008 fiscal year. Current information is that

all such projects will be finished and there may even be a small surplus to return as at the end of their fiscal.

In addition to its dealings with GFS, the Trustees met with the leaders of the Islands communities in an "All Leaders" meeting on October 20, 2008. The minutes of that meeting are attached to this Operations Report as Appendix "B".

APPENDIX "A"

**GWAIL FOREST CHARITABLE TRUST
Financial Statements
As at December 31, 2008**

McAlpine
& Co. ^{CA}
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Trustees of Gwaii Forest Charitable Trust

We have audited the statement of financial position of Gwaii Forest Charitable Trust as at December 31, 2008 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Charitable Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Charitable Trust as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.
January 30, 2009


CHARTERED ACCOUNTANTS

GWAII FOREST CHARITABLE TRUST
Statement of Financial Position
As at December 31, 2008

	2008	2007
Assets		
Current		
Cash	\$ 10,986	\$ 50,241
Investment income receivable	54,479	63,242
	65,465	113,483
Long term investments (Notes 2, 3)	22,833,202	25,096,234
	\$ 22,898,667	\$ 25,199,717
Liabilities		
Current		
Accounts payable	\$ 36,000	\$ 40,719
Due to Gwaii Trust Society	246,771	68,694
	282,771	109,413
Long term debt (Note 4)	610,000	
	892,771	109,413
Net Assets		
Grant fund (Note 6)	24,725,184	24,432,000
Unrestricted	(2,719,288)	658,304
	22,005,896	25,090,304
	\$ 22,898,667	\$ 25,199,717

On behalf of the Board

Trustee

Trustee

Trustee

See notes to financial statements

GWAII FOREST CHARITABLE TRUST
Statement of Revenues and Expenditures
Year Ended December 31, 2008

	2008	2007 <i>(April 1 - December 31)</i>
Income		
Investment income <i>(Note 5)</i>	\$ 1,155,447	\$ 2,101,639
Investment management expenses		
Actuary	37,213	2,432
Custodial fees	26,255	14,539
Investment management	90,594	80,449
	<u>154,062</u>	<u>77,420</u>
Net investment earnings	1,001,385	2,024,219
Expenses		
Accounting and audit fees	11,099	8,313
Advertising and promotion	687	
Bank charges	213	28
Communication	680	
Legal fees	28,714	2,500
Office and miscellaneous	4,526	
Travel	3,854	
Trust protector fees	39,485	35,721
	<u>89,258</u>	<u>46,562</u>
Excess of income over expenses from operations	912,127	1,977,657
Grant inflation protection <i>(Note 6)</i>	293,184	432,000
Surplus available for Gwaii Forest Society activities	618,943	1,545,657
Transfers to Gwaii Forest Society	710,000	100,000
Net surplus for the period	(91,057)	1,445,657
Unrealized gains (losses) on long term investments	(3,286,535)	(787,353)
Comprehensive surplus (deficit) for the period	\$ (3,377,592)	\$ 658,304

See notes to financial statements

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GWAII FOREST CHARITABLE TRUST
Statement of Changes in Net Assets
Year Ended December 31, 2008

	Unrestricted	Grant Fund	2008	2007
Balance - beginning of year	\$ 658,304	\$ 24,432,000	\$ 25,090,304	\$ -
Initial fund investment - as previously stated	-	-	-	25,461,418
Prior period adjustment - Note 7	-	-	-	(1,481,418)
As restated	-	-	-	24,000,000
Comprehensive surplus (deficit) - as previously stated	-	-	-	(829,420)
Prior period adjustment - Note 7	-	-	-	1,487,724
Comprehensive surplus (deficit) - as restated	(3,377,592)	-	(3,377,592)	658,304
Grant inflation protection - as previously stated	-	-	-	458,308
Prior period adjustment - Note 7	-	-	-	(28,308)
Grant inflation protection - as restated	-	293,184	293,184	432,000
Balance - end of year	\$ (2,719,288)	\$ 24,725,184	\$ 22,005,896	\$ 25,090,304

See notes to financial statements

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GWAII FOREST CHARITABLE TRUST
Statement of Cash Flow
Year Ended December 31, 2008

	2008	2007
Operating activities		
Net income (loss)	\$ (3,377,592)	\$ 658,304
Item not affecting cash:		
Grant inflation protection	293,184	432,000
	(3,084,408)	1,090,304
Changes in non-cash working capital:		
Investment income receivable	8,763	(83,242)
Accounts payable	(4,719)	40,719
Due to Gwaii Trust Society	178,077	68,694
	182,121	46,171
Cash flow from (used by) operating activities	(2,902,287)	1,136,475
Investing activity		
Net change in investments	2,253,032	(25,086,234)
Financing activities		
Proceeds from long term financing	610,000	
Grant endowment		24,000,000
Cash flow from financing activities	610,000	24,000,000
Increase (decrease) in cash	(39,255)	50,241
Cash - beginning of year	50,241	
Cash - end of year	\$ 10,986	\$ 50,241

See notes to financial statements

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GWAIL FOREST CHARITABLE TRUST
Notes to Financial Statements
Year Ended December 31, 2008

1. Purpose of the organization

The Gwaii Forest Charitable Trust was settled on March 29, 2007 under the terms of the Deed of Trust. The Trust was established to provide a vehicle for the repatriation of the funds contributed under the South Moresby Agreement by the Province of British Columbia and the Government of Canada to Haida Gwaii. The funds endowed by the Federal and Provincial governments are for the purpose of increasing the sustainable forest management on Haida Gwaii and to increase community stability through enhancing the forest related economy of Haida Gwaii.

The Charitable Trust is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

2. Summary of significant accounting policies

Basis of accounting

The Gwaii Forest Charitable Trust follows the deferral method of accounting for contributions. The financial statements have been prepared in accordance with the recommendations for not-for-profit organizations found in Section 4400 of the CICA handbook.

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Investments

Marketable securities are classified as held for trading and carried at market value in accordance with Section 3855 of the CICA handbook.

3. Investments

	2008		2007	
	Cost	Market	Cost	Market
Cash	\$ 29,072	\$ 29,072	\$ 23,058	\$ 23,058
Treasury bills and short term investments	398,067	398,067	174,611	174,611
Federal and Provincial Government bonds	7,486,065	7,528,345	7,837,302	7,942,388
Corporate bonds	5,975,100	5,827,332	6,366,984	6,319,758
Mortgages	1,877,293	1,878,865	1,665,257	1,668,484
Equities	4,306,598	2,991,301	3,411,234	3,169,970
International equities	6,834,895	4,180,220	6,395,144	5,787,970
	\$ 26,907,090	\$ 22,833,202	\$ 25,873,588	\$ 25,086,235

GWAII FOREST CHARITABLE TRUST
Notes to Financial Statements
Year Ended December 31, 2008

4. Long term debt

	2008	2007
Gwaii Trust Society unsecured, non-interest bearing note. The note is to be repaid periodically with 20% of surplus earnings of the Gwaii Forest Charitable Trust as determined by the trustees.	\$ 610,000	\$

During the period the Gwaii Trust Society agreed to advance the Gwaii Forest Charitable Trust funds to facilitate the commencement of operations and projects of the Gwaii Forest Society. The funds to be advanced have a maximum limit of \$800,000. Of this total \$610,000 has been advanced to September 30, 2008.

5. Investment income

	2008	2007
Interest income	\$ 726,727	\$ 1,923,425
Dividend income	143,674	75,238
Other investment income	439,751	119,277
Realized gain (loss) on sale of investments	(154,705)	(16,301)
	\$ 1,155,447	\$ 2,101,639

6. Restricted net assets

The Gwaii Trust Charitable Trust Investment Fund represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The Fund is adjusted annually by the inflation rate for the year to protect the value of the original grant for future generations. The fund has been established as a perpetual investment fund and, as such, the original endowment with the accumulated inflation adjustments can never be touched, allocated or expended.

The annual inflation adjustment is based on the Canadian Consumer Price Index (CPI). The change for the year ended December 31, 2008 has been calculated at the published CPI index of 1.2% for the previous twelve month period.

7. Financial instruments

The Charitable Trust's financial instruments consist of cash and cash equivalents, accounts receivable, investments in marketable securities accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Charitable Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

GWAIL FOREST CHARITABLE TRUST

Notes to Financial Statements

Year Ended December 31, 2008

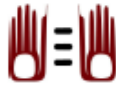
8. Prior period adjustment

During the prior year the entire amount of \$25,461,418 received from the Governments of Canada and British Columbia upon the settlement of the Gwaii Forest Charitable Trust was record as the core grant of the Trust. In actuality, these funds represented the core grant of \$24,000,000 plus interest earned on these funds of \$1,461,418. The accounting records of the prior year have been adjusted to reflect these amounts.

The amount of \$1,461,418 has been included in the investment income for the year ended December 31, 2007 and the inflation adjustment referred to in Note 5 above has been amended to reflect the actual core grant of \$24,000,000.

	2007
Grant income earned prior to transfer	\$ 1,461,418
Reduction in grant inflation protection amount	26,306
Net change in prior year unrestricted surplus	\$ 1,487,724

APPENDIX "B"



**Gwaii Trust Society
Gwaii Forest Charitable Trust Trustees
All Leaders Community Meeting, Minutes
Monday, October 20 2008
Tlell, Fire Hall
1:00 PM-4:00 PM**

In Attendance:

Warren Foster, Director (Q)
Rose Russ, Director (Q)
Cynthia Samuels, (Q)
Ron McKee, (Q)

R A Young, (Q)
Ian Hetman, (Q)
Jim Abbott, (Q)
John T Jones (Q)

Ken Rea, Chairperson

Michael Sacke, Lawyer
Errol Winter, Managing Administrator
Debbie Crosby, Administrative Assistant

1.0 Adoption of the Agenda

The Board made a motion to adopt the agenda as presented.
Moved by: Warren Foster
Seconded by: Jim Abbott
CARRIED

2.0 Introductions

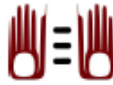
The Board of Directors, Staff and Community Leaders introduced themselves.

Community Leaders Attendance:

- | | |
|-------------------------------|--------------------------------|
| 1. Arnie Bellis, CHN | 10. Travis Glasman, Area "E" |
| 2. John Farrell, GFS | 11. Cory Delves, Port Clements |
| 3. Karen Church, GFS | 12. Michael Muller, GFS |
| 4. Anneli Rostesk, MIEDS | 13. Harold Yeltatzie, GFS |
| 5. Gladys Noddin, QCC | 14. Alex Rinfret, Observer |
| 6. Carol Kulesha, Mayor QCC | 15. Greg Martin, QCC |
| 7. Wally Cheer, Port Clements | 16. Willard Wilson, Skidegate |
| 8. Michael Racz, Lawnhill | 17. Guujaaw, CHN |
| 9. Frank Collison, Masset | 18. Eddy Russ, Skidegate |

3.0 Gwaii Forest Charitable Trust Chairman Welcomes invited guests.

Ken Rea, Gwaii Forest Charitable Trust Chairman opened the All Community Leaders meeting with introductions of all parties and welcomed the invitees, guests and Trustee members. Stating that "as Trustees we must provide the community leaders with the best options and information".



Warren Foster gave a brief overview of the Gwaii Forest Charitable Trust Deed, a definition of "Breach" and the Trustee's position regarding the Deed as to breach and the process following the steps as Trustees which they must follow to meet the deed's legal requirements and the Trustees legal obligations.

4.0 The Chairman introduced the Gwaii Forest Charitable Trust's actuary, Michael Sacke from Watson Wyatt International.

Michael Sacke provided and handed out booklets to all participants detailing Watson Wyatt's current view of the marketplace, historical trends of fund performance, and various probability charts predicting approximate future rates of return. Michael also modelled various scenarios such as changing the investment mix, converting the entire funds to bonds and staying the course, over both the medium and long term. The presentation ended with his firm's recommendation that given the level of the funds present value, current market conditions, historical trends, current investments, the time line on the recovery of the GFCT investment to prudent levels at today's current asset mix could take up to six years. It was his firm's recommendation that we stay the course with our current investment strategy and let markets return the funds to acceptable levels. *(Refer to the GT website for a copy of the report)* After this explanation to the community leaders a brief question and answer period took place.

5.0 Questions/Comments

Guujaaw What roles do we the Leaders have a say?

Errol Winter The Trustees are the ones who have the final decisions which as the Executives of Gwaii Trust and the Gwaii Forest acts as an agent to the GFCT. They oversee the operations and the budgets. We need to come up the best final decision to bring back the funds up to where we started.

Arnie Bellis: On Guujaaw question I thought we gather in the people that we appoint and we tell our reps how things are going. What are the responsibilities of the reps? How does the mother of the organizations run?

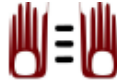
Ken Rea: Explained the Gwaii Trust's role and stated that, we (the Trustees) are the ones who make the final decision.

Arnie Bellis: Who controls the controller, the lawyers controlling the Deed.

Warren Foster: Explained the role as from the beginning, Gwaii Trust had to take what was given and what we have now is a mess and we need to change the policy. We are personally liable and if we do not follow through our personal assets are at risk and it's not right. Our lawyers stated that if we do not follow through with the recommendations from the money managers we will be in breach. This is what we have to follow.

Carol Kelshua: Could changing the investors cut down on the management fees? Would this be an option?

Errol Winter: Explained the administration costs to the leaders. No matter what we do there is a certain cost to pay.



Dale Lore: If you don't do anything ASAP 100 people will be out of work by spring. If I hear Arnie right let him help. Nothing will happen if no one stands in.

Arnie Bellis: That political muscle we could spend a million dollars on lawyers but we need better communication between the GT Reps, GF, and GFCT. We have to monitor those values because we are going to need to work together. We need an action plan.

Warren Foster: Clarified that we cannot deal with or make changes to the GFCT it is dictated to us by the government but we could change the Gwaii Trust Society.

Guujaaw: I'm not happy with the narrow of options that you have presented, we could have had invested the money in hydro, TFL. Etc. business ideas had more options.

Errol Winter: It is just one suggestion of what to do, and at the end of the day what do we do with this money must be agreed to by all, and then accepted by the Trustees. We are providing you with the options where we have the expertise available. Other alternatives will need further study, which beyond our scope.

Ken Rea: The long term of investments we have, hit a low with GFCT, and in the short term we have no capital to invest.

Carol Kelshua: I asked Errol if we could take the money and reinvest it, and if we reinvested in something on the Islands, do we have to create a new policy. Or will we have to get the same returns.

Ken Rea: Michael Sacke was instructed to produce some recommendations into the money management and the returns to these investments. With what we have asked him to do, he has provided us with information on our market investments. And this is the task that we asked him to do. Part of the Board's mandate is everyone on board has to come to an agreement. Today we are here to work with this and come up with a long term; and a short term investment solution.

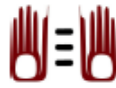
Arnie Bellis: We provided a living document and Gwaii Trust's investments have done well, then are we going to have all Island's in poverty due to the mandate of this.

Carol Kelshua: The short term is what do we do now. The long term is what do we invest in on Island. Can we look at these issues? Could we invest the fund in our self? As a short term investment, if we could go to the Credit Union. What is your investment return rate?

Michael Sacke: Our annual returns average 6.2% and we follow the investment strategy as set out by the Gwaii Trust. All communities must be in consensus no matter what approach or option we use.

Gord: Port Clements agrees to using portions of the investments locally. In regards to the forest workers, that's a global issue; it is beyond our control, it is all over.

Travis Glasman: First be responsible to our own communities. I would like to get more particulars about the GFCT in the market place. I am not satisfied with waiting and spending money. We have a community planning use that needs to be put forth, and this is the time that we should invest into our land.



Karen Church: I thought GFS's purpose was to replace logging jobs, when the park reserve was put in place. We need to talk about what it was created for. I think that buying into a tree farming license is buying into the AAC as is, and that is not ethically acceptable, nor is it the intent of the fund.

Warren Foster: Explained that the government prevents us in just doing anything with it, they have provisions. The protector requires the 24 million be covered, but it's not there. It cannot fall below the protected amount. We are here to show you that we are doing everything that we can to prevent this.

Karen Church: I had asked John Farrell at one time if there has there been any talk about Gwaii Trust funding the (GFS) projects.

Ken Rea: There has been talk about that, but there are liabilities, but even speaking more about that; the markets have not been good, so Gwaii Trust is in no position to lend to the GFCT.

Errol Winter: We have funded GFS, and have been committed to continue funding already approved GFS projects.

Warren Foster: We have already up fronted almost \$300,000 as forgivable, then loaned them (GFS) another \$800,000 we can't keep doing this."

John Farrell: GFS has their own provision and guidelines. It sounds like we are coming to a conclusion here, you explained where we are financially, now we need to follow your expertise and we will follow the process. The questions are; what could we do with the GFCT, what is our ability to change the Trust and what is the consensus needed to change the rules under which we operate.

Willard Wilson: When I got on the Board with GTS there was about 20 million in the credit union and 20 million at CIBC, then GTS hired legal staff and investment professionals. After that, the Trust grew to 60 million dollars. I really want the board to look at the local investments in with energy's investments. We need to create jobs for our local people and we need to talk with locals and our neighbours to make our views known. It is about time we need to start to invest local.

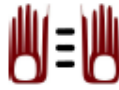
Guujaaw: I have to disagree with Carol (Kelshua); we need a time frame to come to a conclusion. Are we ready to look after our money? Do we have the political will behind us, yes we do, do we have the protocol, yes we do, and we have the GT and GF. In conclusion we need more time.

Frank Collison: We need to strategize on how to free up the money.

Carol Kelshua: If you form a corporation and it showed an investment return with 4 to 6% return and it will it meet the matching funds investment that was one option. If you show a good business plan then maybe we could do this.

John Farrell: What is our timeline right now, Yearend is December 31, all the projects will be covered till March 31, 2009.

Ken Rea: As of January 1, 2009 we will be in breach. This is our only plan and our only options in the short term but in the long term, we need a good business plan to move forward. Short term we have to recover the 1.9 million (to bring the funds beyond breach).



We need to deal with the breach, and the protector understands that, in the mean time we need to plan and you as Community Leaders need to go out into your community and see what they want. This is the legal process, and we need to deal with this in the short term. What is the short term the short term, is to try to recover the 1.9 million. The main focus is to deal with the breach, we haven't spent it into breach, but after this recovery we could sit down and plan a long term strategy. We want to keep this money long term.

Errol Winter: GFCT will be meeting in the next couple of weeks to decide on a course of action for the short term. What would the community leaders like see from us?

Carol Kelshua: Find different options in local investments pros/cons and rules around these options. Do we dissolve the trust or could we do this within this trust? We need a well thought out business plan where do we go and where do we find this?

John Farrell: What is the short term investment plan? The Gwaii Trust will not be able to fund the GFS.

Ken Rea: This is the only plan we have and we will be getting back to you with the recommendation that we have on the breach conditions.

John Farrell: A few months ago we had a lot more money, now the fund has diminished. Are we going to stop the bleeding now or just let it keep bleeding?

Ken Rea: This is the short term. This is our best option to present to the protector, and this is our only plan to get out of breach. We will be meeting in the next couple of weeks and we will follow through with the GFS projects.

Errol Winter: I would encourage the community leaders to go to the second stage, begin to look at any alternate strategies, and try to achieve a consensus among yourselves.

John Farrell: I thought we had something else in plan after speaking to some of the GT board members, If we buy a TFL we don't have a long term plan, we have to start talking about the long term. Is it up to the community or CHN to come up with this decision?

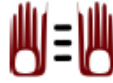
Trevor Jarvis: I need something to bring back to the community, who is going to do this business plan.

Carol Kelshua: We need to come to a consensus into what we are going to invest in, TFL or power, it is going to cost money and we are going to have to find the funding for the business plan and all the work that needs to be done. The big questions is do we have the ability to do this is?

Trevor Jarvis: I don't know how much time we have before Christmas.

Ken Rea: This is the long term plan, this is the same plan that has allowed GT to spend \$40 million in the communities, and in 2011 or 2015 GFS, will be spending that money again.

Ian Hetman: Let's get that information from John Farrell's lawyer and an opinion from our lawyer and get this moving.



Ken Rea: The investments have to be sound; the lawyer says we could do it, we need the investment to be sound.

Errol Winter: We will take the information from John Farrell's lawyer and take a look at it.

Carol Kelshua: You guys are between a rock and a hard place and you're doing a good job, and you did a tremendous job with the Gwaii Trust Society and I look forward to your reports.

6.0 Schedule of Next Meeting

The next GFCT meeting is scheduled for October 29, 2008, 2:00pm, at the Old Massett GT office.

7.0 Adjournment

The meeting adjourned at 4:15 pm.

Chairperson
Ken Rea

Managing Administrator
Errol Winter

Date

Date