



Gwaii Forest Charitable Trust

PO Box 588

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

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Gwaii Forest Charitable Trust (the “Trust”)

Operations Report for the Fiscal Year Ended Dec 31st 2010

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

Preamble:

The financial position of the Trust as of December 31, 2010 can be found under the heading, “GFCT 2010 Financial Statement” on the Trust’s website (“Our Website”) at www.gwaiiforestcharitabletrust.org

Over the course of the Trust’s 2010 fiscal year ended December 31, 2010 (“Fiscal 2010”), the contents of the Trust’s fund (the “Trust Fund”) were only used for the accumulation of investment income and the paying of monthly reoccurring expenses related to the accumulation of that income. During the course of that accumulation, enough funds were earned completely to retire any outstanding debts and payables due by the end of Fiscal 2010. In addition, the Trust has accumulated from both income and capital appreciation an additional \$1.2-million as part of the \$3-million reserve in excess of the amount of Trust capital mandated by Trust which the Trustees have determined in necessary in order to buffer the Trust’s operations against the crippling volatile of the financial markets of the sort experienced in 2008 and 2009..

The Trustees have set such buffer amount of \$3-million in excess of the Trust Deed mandated amount of Trust capital as a precondition to any granting of funds in support of eligible projects that are in furtherance of the Trust’s purposes.

A. Summary and explanation of practices used in review, evaluation and approval of eligible Projects in the fiscal year ended December 31, 2010.

While no projects were reviewed or approved in Fiscal 2010, the Trustees are considering what changes, if any, will be made in respect of reviewing, approving and evaluating eligible projects when such funding of eligible project resumes s, as well as considering how best to administer eligible projects that the Trustees determine will be funded.

B. Full Listing of all eligible projects for which funding by the Trust was funded in the fiscal year ended December 31, 2010.

No projects were approved nor advanced in Fiscal 2010



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C. Summary and explanation of the investment strategy of GFCT in fiscal, 2010 and any material changes in the investment of the property of the Trust.

The investment strategy of the Trust is set to mirror that of the Gwaii Trust Society ("GTS"). A detailed statement of the investment policies and procedures of the Trust is published on the Our Website under the Statement of Investment Policy changes were made to the investment strategy of the Trust upon the advice of the professional advisers of the Trust in Fiscal 2010 by the addition of high yield bonds and a small real estate component to the investment portfolio of the Trust and a moderate shift of weighting from bonds to equities. Such advice of our professional advisers is based on the need to adjust the investment strategy of the Trust to perceived long term changes in the financial markets.

Phased Implementation

In order to manage the transition of the contents of the Trust's investment portfolio in accordance with the amended investment strategy of the Trust, the Trustees decided at a meeting on November 8th 2010 to follow a phased approach to such transition. The estimated timeline for the such transition is:

Transition Phased Activity

Timeline

- | | |
|--|--------------|
| 1) Add 5% high yield bonds from nominal bonds | 1 - 3 month |
| 2) Increase flexibility of bond manager re REIT's | 1 - 3 month |
| 3) Increase Global Equities by 8% from nominal bonds | 3 - 4 months |
| 4) Change Canadian equity manager for one or two new managers and reallocate current allocation of 13%, drawing an additional 7% from nominal bonds. | 3 - 6 months |
| 5) Add 10% Real estate from nominal bonds, possibly in two tranches. | 4 - 6 months |

D. Summary and explanation of the results of consultation between the Trustees and public in fiscal 2010 with respect to the development of plans for the future use of the Trust's income.

No public consultation occurred in Fiscal 2010. However, the Trustees recognized that as markets continue to improve and the Trust moves closer to accumulating the Trustee- mandated \$3-million buffer, it will be necessary to schedule meetings throughout the Islands with key opinion leaders in the Islands communities.



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Appendix "A"

No projects were funded or approved to be funded by GFCT in fiscal 2010.