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**VIA EMAIL – james.cowpar@gwaiitrust.com**

Gwaii Trust Society  
PO Box 397  
162 Raven Avenue  
Old Masset BC V0T 1M0  
Attention: James Cowpar, Chairman

**VIA EMAIL – jason.alsop@gwaiitrust.com**

Jason Alsop  
Trustee, Athlii Gwaii Legacy Trust  
c/o Gwaii Trust Society  
PO Box 397, 162 Raven Avenue  
Old Masset BC V0T 1M0

**VIA EMAIL – clyde.greenough@gwaiitrust.com**

Clyde Greenough  
Trustee, Athlii Gwaii Legacy Trust  
c/o Gwaii Trust Society  
PO Box 397 162 Raven Avenue  
Old Masset BC V0T 1M0

June 7, 2018

Dear Trustees:

**Re: Athlii Gwaii Legacy Trust (“AGLT” or the “Trust”)**

We write in our capacity as “Protector” pursuant to the Deed of Trust (the “Deed”) made on the 29th day of March 2007 by the Gwaii Trust Society to provide the Protector’s determination as to whether there may have been a Breach under the Deed during the Fiscal Year ended December 31, 2017 (“Fiscal 2017”). For purposes of this reporting letter, all defined terms, unless otherwise defined herein, have the meaning as set out in the Deed.

Our comments are organized under the following subject headings:

- (1) Breach Determination and Review of Reporting Material
- (2) Other Disclosure Matters
- (3) Protector Determination

**BREACH DETERMINATION AND REVIEW OF REPORTING MATERIAL**

Pursuant to Section 38 of the Deed, the Protector is required to determine, within ninety days of the receipt of the Financial Statements and Operations Report in each Fiscal Year, whether the Trustees are in breach of their obligations under the Deed or Applicable Law or whether there are reasonable grounds to believe that any or all of the Trust Property has been used, with the knowledge and acquiescence of the Trustees, for one or more purposes that are other than one or more of the Purposes during the Year just ended. Following the making of this determination, the Protector is required to provide to the Trustees either a written notice that it has found no Breach or, if there are reasonable grounds to believe that there may have been a Breach, a Notice of Breach.



Letter to Trustees of Athlii Gwaii Legacy Trust

June 7, 2018

Page 2 of 5

In considering whether there has been a Breach under the Deed, the Protector has performed a review of the Reporting Material and conducted such inquiries as deemed necessary. As a result of the Protector's review, the following items have been identified as not being in compliance with the requirements set out in the Deed:

- (a) Quarterly Statements in respect of the Fiscal Quarter ended March 31, 2017 (the "First Quarter Statements").
  - An unsigned draft of the First Quarter Statements, dated April 30, 2017, was delivered to the Protector on May 3, 2017. The signed First Quarter Statements were not delivered to the Protector.
  - Pursuant to Section 36(a) of the Deed, the Quarterly Statements are to be provided to the Protector within thirty days of the end of such Fiscal Quarter. In this case, the due date for the submission of the First Quarter Statements was no later than April 30, 2017. Also, Section 34(b) of the Deed requires that the Quarterly Statements be delivered to the Protector.
- (b) Quarterly Statements in respect of the Fiscal Quarter ended June 30, 2017 (the "Second Quarter Statements").
  - The Second Quarter Statements were delivered to the Protector on August 3, 2017. The Trustees advised the Protector, on July 31, 2017, that delivery of the Second Quarter Statements was delayed as they had not been received from the Auditor as at that date.
  - The Protector notes that the Second Quarter Statements were dated July 31, 2017, which was after the date by which the Second Quarter Statements were required to be delivered to the Protector.
  - Pursuant to Section 36(a) of the Deed, the Quarterly Statements are to be provided to the Protector within thirty days of the end of such Fiscal Quarter. In this case, the due date for the submission of the Second Quarter Statements was no later than July 30, 2017.
- (c) Financial Statements in respect of Fiscal 2017 (the "2017 Audited Financial Statements").
  - The finalized 2017 Audited Financial Statements, dated February 14, 2018, were delivered to the Protector on February 27, 2018.
  - Pursuant to Section 36(b) of the Deed, the Financial Statements for each Fiscal Year are to be provided to the Protector within forty-five days of the end of such Fiscal Year. In this case, the due date for the submission of the 2017 Audited Financial Statements was no later than February 14, 2018.
  - As has been documented in the past, the Protector is generally agreeable to allowing the Trustees a short additional period of time for preparing and delivering the signed Financial Statements to the Protector if they encounter difficulties in meeting the deadline imposed by the Deed, provided that the Trustees communicate any anticipated delay to the Protector with a reason for the delay and then deliver the signed Financial Statements to the Protector as soon as reasonably possible.
  - In the case of the 2017 Audited Financial Statements, the delay in delivery of these Financial Statements to the Protector was considered acceptable to the Protector because the Trustees had advised the Protector on February 13, 2018 that delivery would be delayed as they needed additional time to review and approve the 2017 Audited Financial Statements.



Letter to Trustees of Athlī Gwāī Legacy Trust  
June 7, 2018  
Page 3 of 5

(d) Operations Report in respect of Fiscal 2017 (the “2017 Operations Report”).

- The 2017 Operations Report was delivered to the Protector on February 19, 2018.
- Pursuant to Section 36(b) of the Deed, the Operations Report is to be provided to the Protector within forty-five days of the end of such Fiscal Year. In this case, the due date for the submission of the 2017 Operations Report was no later than February 14, 2018.
- As with the 2017 Audited Financial Statements, the delay in delivery of the 2017 Operations Report to the Protector was considered acceptable to the Protector because the Trustees had advised the Protector on February 14, 2018 that delivery would be delayed as they needed additional time to review and approve the 2017 Operations Report.

## **OTHER DISCLOSURE MATTERS**

In considering whether there may have been a Breach, the Protector has identified and generally discussed with the Trustees the following matters, which may not all have been contemplated when the Deed was prepared:

### Non-Compliance with Terms of AGLT’s Statement of Investment Policies and Procedures (“SIPP”)

- In its letter to the Trustees dated June 21, 2017, the Protector noted that at the end of each Fiscal Quarter of the Fiscal Year ended December 31, 2016, the actual investment mix of the Trust’s investment portfolio was not in compliance with the Target Asset Mix of the applicable SIPP. The Protector also noted that, should the Trustees wish to modify the Target Asset Mix to permit the portion of the total portfolio which can be invested in Global Equities to be higher than the maximum of 38% set out in the then-current SIPP, then they are required by Section 21 of the Deed to prepare a revised SIPP for Fiscal 2018 (the “2018 SIPP”) and to publish that revised SIPP on the Website on or before January 1, 2018.
- At the end of each Fiscal Quarter of Fiscal 2017, the actual percentage of the investment portfolio which was invested in Global Equities was above the maximum of 38% of the portfolio as set out in the applicable SIPP; it was 42% as at March 31, 2017 but had decreased to 40% as at December 31, 2017 on account, at least in part, of the Trustees having withdrawn funds from certain of the Trust’s investments in Global Equities in order to fund the Trust’s operations.
- The Protector expects that the Trust’s individual investment managers may not have been aware of this continuing non-compliance with the SIPP given that, notwithstanding the Protector’s recommendation in each of its four most recent annual letters to the Trustees, the Trust does not have a comprehensive investment monitoring process to confirm whether the Trust’s investment managers and the investment portfolio, overall, are in compliance with the quantitative and qualitative guidelines set out in the SIPP.
- Therefore, the Protector reiterates its view that the Trustees should ensure that the terms of the SIPP are complied with at all times, including by implementing the aforementioned comprehensive investment monitoring process to ensure ongoing compliance.



Letter to Trustees of Athlii Gwaii Legacy Trust  
June 7, 2018  
Page 4 of 5

### The 2018 SIPP

- The Trustees published the 2018 SIPP on the Website on or about March 13, 2018. The 2018 SIPP was dated effective as of December 31, 2017 and signed by two of the three Trustees, on February 19, 2018 and February 27, 2018.
- As noted above, Section 21 of the Deed required that the 2018 SIPP be completed and published on the Website on or before January 1, 2018. Therefore, the Trustees were technically in breach of Section 21 of the Deed because the 2018 SIPP was not completed and published on the Website on or before January 1, 2018. Subsequently, this breach was rectified when a completed copy of the 2018 SIPP was published on the Website.

### Strategic Plan and Funding of Eligible Projects

- As a follow-up to discussion in each of the four most recent Protector letters to the Trustees, the Protector notes that the Trustees have not delivered to the Protector the previously discussed interim business plan (the “Interim Plan”) which would serve as a temporary substitute for the Strategic Plan which, pursuant to Section 23 of the Deed, was required to have been prepared by the Trustees during the fiscal year ended December 31, 2013. The Trustees have deferred preparing the revised Strategic Plan, primarily on account of their expectation of obtaining certain statutory amendments to the Trust.
- Since the time that the Protector first discussed the preparation of the Interim Plan with the Trustees, one Eligible Project was approved for funding and was partially funded during 2015. This Eligible Project, in respect of providing funding for the publication of a book (“30th Anniversary of the Stand at Athlii Gwaii”) with a budget of \$63,240, was not completed during Fiscal 2017, although the Trust disbursed \$10,677 to this Eligible Project during Fiscal 2017. In the 2017 Operations Report, the Trustees stated that they anticipate funding the \$39,915 balance of the approved budget for this Eligible Project during Fiscal 2018.
- The Protector understands, from discussion in the 2017 Operations Report, that the Trustees do not intend to fund any additional Eligible Projects during Fiscal 2018 while they continue to await certain legislative changes to the trust.
- The Protector continues to be of the view that the Trustees should prepare the Interim Plan and publish it to the Website (and deliver it to the Protector) prior to approving and funding any further Eligible Projects.



Letter to Trustees of Athlii Gwaii Legacy Trust  
June 7, 2018  
Page 5 of 5

## PROTECTOR DETERMINATION

As discussed above, the Protector has, through its review of the Reporting Material and other inquiries, identified certain items that were not in compliance with the requirements set out in the Deed and which, therefore, could technically be considered a Breach. However, as noted in the aforementioned discussion of each such item, these items had either been resolved prior to the date of this letter or were considered by the Protector to be of a nature which did not constitute a reportable Breach, including matters in respect of which the Protector has agreed with the Trustees that delays in performing certain required activities were reasonable in the circumstances. Therefore, the Protector does not believe that further action on its part is warranted at this time.

Accordingly, pursuant to Section 38(a) of the Deed, the Protector has found no reportable Breach for the Fiscal Year ended December 31, 2017.

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Should you have any questions or concerns with respect to the foregoing, please do not hesitate to contact Mark Kemp-Gee by phone on (604) 691-3397 or by email at [mkempgee@kpmg.ca](mailto:mkempgee@kpmg.ca).

Yours very truly,  
**KPMG Inc.**, in its  
capacity as Protector  
and not in its personal capacity

Anthony Tillman  
*Senior Vice President*

Mark Kemp-Gee  
*Vice President*

cc Tony Knox, KNOX & Co.