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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

May 27, 2019

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, 2018 (“Fiscal 2018”). 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.

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, 2018 (the "First Quarter Statements").
 - The First Quarter Statements were delivered to the Protector on May 10, 2018 and were posted to the Website as of May 29, 2018.
 - 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, 2018. Also, Section 35(c) of the Deed intends that the Financial Statements be posted to the Website less than fourteen days after they are delivered to the Protector.
- (b) Quarterly Statements in respect of the Fiscal Quarter ended June 30, 2018 (the "Second Quarter Statements").
 - The Second Quarter Statements were delivered to the Protector on August 3, 2018 and were posted to the Website as of August 22, 2018.
 - 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, 2018. Also, Section 35(c) of the Deed intends that the Financial Statements be posted to the Website less than fourteen days after they are delivered to the Protector.
- (c) Quarterly Statements in respect of the Fiscal Quarter ended September 30, 2018 (the "Third Quarter Statements").
 - The Third Quarter Statements were delivered to the Protector on October 31, 2018 and were posted to the Website after November 15, 2018.
 - 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 October 30, 2018. Also, Section 35(c) of the Deed intends that the Financial Statements be posted to the Website less than fourteen days after they are delivered to the Protector.
- (d) Financial Statements in respect of Fiscal 2018 (the "2018 Audited Financial Statements").
 - The finalized 2018 Audited Financial Statements, dated February 8, 2019, were delivered to the Protector on February 15, 2019 and were posted to the Website after March 2, 2019.
 - 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 2018 Audited Financial Statements was no later than February 14, 2019. Also, Section 35(c) of the Deed intends that the Financial Statements be posted to the Website less than fourteen days after they are delivered to the Protector.

- It is noted that pursuant to Section 34(d) of the Deed, the Financial Statements are to be delivered to the Protector within fourteen days of receipt of the final audited Financial Statements for such Fiscal Year from the Auditor. Given the date of the 2018 Audited Financial Statements, this requirement appears to have been met.
- (e) Operations Report in respect of Fiscal 2018 (the “2018 Operations Report”).
- The 2018 Operations Report was delivered to the Protector on March 22, 2019.
 - 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 2018 Operations Report was no later than February 14, 2019.
 - Upon the delivery of the Financial Statements on February 15, 2019, the Protector was advised that the 2018 Operations Report was in the process of being completed and signed off by the Trustees. The Protector inquired about the status of the Operations Report on March 4, 2019, and was informed that the Trustees were waiting to produce the Operations Report until the federal and provincial governments formalized their agreement to transfer the AGLT to a separate program under the Gwaii Trust Society (“GTS”).
 - Given the uncertainty of when this transfer may occur, the Protector requested that the 2018 Operations Report be completed pursuant to the Deed so that the Breach Determination Letter could be completed in a timely manner. As such, the 2018 Operations Report was prepared in early March and executed on March 21, 2019.
 - The delay in delivery of the 2018 Operations Report to the Protector was considered acceptable to the Protector because the Trustees remained in communication with the Protector and produced the 2018 Operations Report within a reasonable timeframe.

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:

The 2019 Statement of Investment Policies and Procedures (“SIPP”)

- The Trustees published the 2019 SIPP on the Website on or about March 1, 2019. The 2019 SIPP was dated effective as of January 1, 2019 and signed by two Trustees, on February 28, 2019 and March 1, 2019.
- Section 21 of the Deed required that the 2019 SIPP be completed and published on the Website on or before January 1, 2019. Therefore, the Trustees were technically in breach of Section 21 of the Deed because the 2019 SIPP was not completed and published on the Website on or before January 1, 2019. However, the 2019 SIPP remains unchanged from the 2018 SIPP and the Trust’s investment portfolio was in compliance with the Target Asset Mix of the SIPP throughout the year. Given that the document was only altered to allow for updated signatures of the Trustees pursuant to their annual review, this delay was considered acceptable by the Protector. Furthermore, the 2019 SIPP has since been posted to the Website, rectifying any potential breach.

Strategic Plan and Funding of Eligible Projects

- As previously discussed in the most recent Protector letters to the Trustees, the Protector notes that the Trustees were to prepare, and deliver to the Protector, an interim business plan (the "Interim Plan") to substitute 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 as a result of their expectation that the Trust would be collapsed into the GTS.
- 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 in 2015 and 2017. This Eligible Project, relating to the publication of a book ("30th Anniversary of the Stand at Athlii Gwaii") with a budget of \$63,240, was not completed in Fiscal 2018 nor were there any further disbursements made during the fiscal year. However, in the 2018 Operations Report, the Trustees have stated that they anticipate funding the \$39,915 balance of the approved budget for this Eligible Project during the first quarter of Fiscal 2019.
- Based on discussions with the Trustees, the Protector understands that the Trustees do not intend to fund any additional Eligible Projects while they continue to await certain legislative changes to the trust. However, should these legislative changes not be implemented in the near term, 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.

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. Pursuant to the requirements of the Deed, these items could technically be considered as a Breach. However, 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. 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, 2018.

Should you have any questions or concerns with respect to the foregoing, please do not hesitate to contact either Huey Lee, by phone on (604) 646 6398 or Mike Clark, by phone on (604) 691-3468 or by email at maclark@kpmg.ca.

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



Huey Lee
Senior Vice President



Mike Clark
Vice President

cc Tony Knox, KNOX & Co.