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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 – warren.foster@gwaiitrust.com
Warren Foster
Trustee, Athlii Gwaii Legacy Trust
PO Box 233
Sandspit BC V0T 1T0

August 2, 2016

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, 2015 (“Fiscal 2015”). 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.



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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, 2015.

- A signed copy of the quarterly financial statements for the Fiscal Quarter ended March 31, 2015 was delivered to the Protector on May 4, 2015. These financial statements were dated April 21, 2015.
- 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 financial statements for the quarter ended March 31, 2015 was no later than April 30, 2015.
- As discussed in the previous four Protector's letters to the Trustees dated September 23, 2012, July 15, 2013, July 18, 2014 and July 13, 2015 (the latter two being the "2014 and 2015 Letters"), the Protector is generally agreeable to allowing the Trustees a short additional period of time for preparing and delivering the signed Quarterly Statements (as well as the annual 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 Quarterly Statements (or annual Financial Statements) to the Protector as soon as reasonably possible.
- In the case of the quarterly financial statements for the Fiscal Quarter ended March 31, 2015, the Protector was not advised of any delay in preparing the Quarterly Statements.

(b) Quarterly Statements in respect of the Fiscal Quarter ended June 30, 2015.

- An unsigned draft of the quarterly financial statements for the Fiscal Quarter ended June 30, 2015 was delivered to the Protector on July 31, 2015. A signed copy of the Quarterly Statements, dated July 27, 2015, was delivered to the Protector on August 7, 2015. Signed revised Quarterly Statements were delivered to the Protector on October 6, 2015, incorporating certain revisions based on questions posed by the Protector to the Trustees on August 5, 2015.
- 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 financial statements for the quarter ended June 30, 2015 was no later than July 30, 2015.
- The delay in delivery of the signed copy of these Quarterly Statements to the Protector was acceptable to the Protector because the Trustees notified the Protector of the potential delay in finalizing the Quarterly Statements on July 31, 2015 and provided a draft version of the statements to the Protector on the same date.



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(c) Quarterly Statements in respect of the Fiscal Quarter ended September 30, 2015.

- On November 6, 2015, the Trustees advised the Protector, via email, that a signed copy of the Quarterly Statements for the period ended September 30, 2015, dated October 26, 2015, was available for download on the Website; these Quarterly Statements were not delivered directly 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 financial statements for the quarter ended September 30, 2015 was no later than October 30, 2015. Also, Section 34(b) of the Deed requires that the Quarterly Statements be delivered to the Protector.
- The delay in delivery of the signed copy of these Quarterly Statements to the Protector was acceptable to the Protector because the Trustees notified the Protector of the potential delay in finalizing the Quarterly Statements on October 29, 2015.

(d) Financial Statements in respect of the Fiscal Year ended December 31, 2015.

- An unsigned copy of the Financial Statements for Fiscal 2015 was delivered to the Protector on February 16, 2016. A signed copy of the finalized Financial Statements for Fiscal 2015, dated February 15, 2016, was delivered to the Protector on February 18, 2016. Signed revised Financial Statements for Fiscal 2015, dated March 10, 2016, were delivered to the Protector on March 10, 2016, incorporating certain minor revisions.
- 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 Financial Statements for Fiscal 2015 was no later than February 14, 2016.
- The delay in delivery of the finalized copy of these Financial Statements to the Protector was considered acceptable to the Protector because the Trustees provided the approved but unsigned Financial Statements to the Protector on February 16, 2016, which was just a two day delay from the deadline of February 14, 2016.

(e) Operations Report in respect of the Fiscal Year ended December 31, 2015.

- The Operations Report for Fiscal 2015 was delivered to the Protector on February 26, 2016. The Protector provided its comments on the report to the Trustees and a revised Operations Report (dated March 12, 2016) for Fiscal 2015 was published to the Website on March 14, 2016 but was not delivered to the Protector.
- 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 Operations Report for Fiscal 2015 was no later than February 14, 2016. Also, Section 34(d) of the Deed requires that the Operations Report be delivered to the Protector.
- As with the Financial Statements for Fiscal 2015, the delay in the delivery of the Operations Report for Fiscal 2015 to the Protector was acceptable to the Protector because the Trustees notified the Protector on February 16, 2016 (two day after the delivery deadline) of the delay in completion and delivery of the Reporting Material for Fiscal 2015.



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OTHER DISCLOSURE MATTERS

The Protector recognizes that one Eligible Project was approved for funding during 2015, 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, of which only \$12,648 has been funded to date. This Eligible Project was scheduled to have been completed by November 30, 2015 and the Trustees advised that they are continuing to monitor the status of this Eligible Project in accordance with Section 22 of the Deed and that it is now expected to be completed during the summer of 2016. The Protector’s views on general project funding are noted below.

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:

Follow-up Matters from the 2014 and 2015 Letters

- Two matters which were discussed in the 2014 and 2015 Letters continue to be outstanding as at the date of this letter, which are discussed in summary below. Please refer to the 2014 and 2015 Letters for a more detailed discussion regarding these two matters.
- The first outstanding matter is the Protector’s recommendation that the Trustees implement a comprehensive investment monitoring process to confirm whether the Trust’s investment managers and the investment portfolio are in compliance with SIPP terms. Although the Trustees have incorporated into the Trust’s Quarterly Statements and annual Financial Statements a summary setting out the actual investment mix compared with the target asset mix which is set out in the SIPP, a comprehensive program has not yet been implemented.
- The second outstanding matter from the 2014 and 2015 Letters is the development of an interim business plan setting out how, and by whom, the administration of the granting process and monitoring of funded Eligible Projects will be conducted (the “Interim Plan”) during the period until the Trustees prepare a revised five-year Strategic Plan.
- 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

Pursuant to the Protector’s review of the Reporting Material and its other inquiries, and as discussed above, the Protector has 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 been resolved prior to the date of this letter. Consequently, 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, 2015.

However, the Protector asks that the Trustees, as requested above, confirm to the Protector once an investment compliance monitoring program has been developed and implemented, and also deliver the Interim Plan to the Protector when it has been developed.



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Should you have any questions or concerns with respect to the foregoing, please do not hesitate to contact Anthony Tillman on (604) 646-6332, atillman@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
Senior Manager

cc Tony Knox, KNOX & Co.