



KPMG Inc.  
777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Tel 604-691-3000  
Fax 604-691-3031  
www.kpmg.ca

**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 – billy.yovanovich@gwaiitrust.com**

William Yovanovich  
Trustee, Athlii Gwaii Legacy Trust  
250 2<sup>nd</sup> Ave  
Skidegate, BC V0T 1S0

**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 3, 2020

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, 2019 (“Fiscal 2019”). 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, 2019 (the "First Quarter Statements").
  - The First Quarter Statements were delivered to the Protector and posted to the Website as of August 7, 2019.
  - 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, 2019.
- (b) Quarterly Statements in respect of the Fiscal Quarter ended June 30, 2019 (the "Second Quarter Statements").
  - The Second Quarter Statements were delivered to the Protector and were posted to the Website as of August 7, 2019.
  - 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, 2019.
- (c) Financial Statements in respect of Fiscal 2019 (the "2019 Audited Financial Statements").
  - The finalized 2019 Audited Financial Statements, dated February 18, 2020, were delivered to the Protector on March 6, 2020 and were posted to the Website on March 11, 2020.
  - 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 2019 Audited Financial Statements was no later than February 14, 2020.
  - 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 2019 Audited Financial Statements, this requirement appears not to have been met.
- (d) Operations Report in respect of Fiscal 2019 (the "2019 Operations Report").
  - The 2019 Operations Report was delivered to the Protector on March 11, 2020.
  - 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 2019 Operations Report was no later than February 14, 2020.
  - The Protector inquired about the status of the Operations Report on February 21, 2020, and was informed on February 24, 2020 that the Trustees were in the process of arranging for the Operations Report to be signed off. The 2019 Operations Report was executed in early March and delivered to the Protector on March 11, 2020.
  - The delay in delivery of the 2019 Operations Report to the Protector was considered acceptable to the Protector because the Trustees remained in communication with the Protector and produced the 2019 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 2020 Statement of Investment Policies and Procedures (“SIPP”)

- The Trustees published the 2020 SIPP on the Website on or about May 22, 2020. The 2020 SIPP was dated effective as of January 1, 2020 and signed by two Trustees, on May 20, 2020 and May 21, 2020.
- Section 21 of the Deed required that the 2020 SIPP be completed and published on the Website on or before January 1, 2020. Therefore, the Trustees were technically in breach of Section 21 of the Deed because the 2020 SIPP was not completed and published on the Website on or before January 1, 2020. However, the 2020 SIPP remains unchanged from the 2019 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 2020 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 2019 nor were there any further disbursements made during the fiscal year. However, in the 2019 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 2020.
- 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, 2019.

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 Jennifer Kwok, by phone on (604) 691-3260 or by email at [jgkwok@kpmg.ca](mailto:jgkwok@kpmg.ca).

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

Huey Lee  
*Senior Vice President*

Jennifer Kwok  
*Vice President*

cc Tony Knox, KNOX & Co. and Rob Miller, Miller Titerle + Company