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Percy Crosby
Trustee, Athlii Gwaii Legacy Trust
c/o Gwaii Trust Society
P.O. Box 1250
Skidegate, BC V0T 1S1
Attention: Percy Crosby, Chairman

VIA EMAIL – freda.davis@gwaiitrust.com

Freda Davis
Trustee, Athlii Gwaii Legacy Trust
P. O. Box 594
Masset, BC V0T 1M0

VIA EMAIL – maureen.bailey@gwaiitrust.com

Maureen Bailey
Trustee, Athlii Gwaii Legacy Trust
P.O. Box 104
Port Clements, BC V0T 1R0

June 16, 2023

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, 2022 (“Fiscal 2022”). 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

1. 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, there have been no items identified as being in Breach of the requirements set out in the Deed.

2. 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:

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 Gwaii Trust Society ("GTS").
- 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 www.aglt.ca (and deliver it to the Protector) prior to approving and funding any further Eligible Projects.

Non-Compliance with Terms of AGLT's Statement of Investment Policies and Procedures ("SIPP")

- The Protector noted that at the end of the Fiscal Quarters ending June 30, 2022, September 30, 2022 and at the Fiscal Year ended December 31, 2022, the actual investment mix of the Trust's investment portfolio was not in compliance with the Target Asset Mix of the applicable SIPP.
- At the end of Fiscal Quarters ending June 30, 2022 and September 30, 2022, the actual percentage of the investment portfolio which was invested in nominal bonds was above the maximum of 22% of the portfolio as set out in the applicable SIPP.
- At the end of Fiscal Quarter and Fiscal Year ending December 31, 2022, the actual percentage of the investment portfolio which was invested in Canadian Equities was below the minimum of 15% of the portfolio as set out in the applicable SIPP.
- The Protector had been informed by the Trustees of the non-compliance upon delivery of the relevant Financial Statements and noted that the non-compliance was a result of the anticipated transition to a revised SIPP effective January 1, 2023. We have not reviewed the revised SIPP.
- As part of the transition to the new SIPP, at December 31, 2022, the Trust holds \$12.3m within their chequing account and \$7.3m in a short-term bond fund. Funding the new asset classes is expected to take two years to fully complete. As such, the Protector does not consider the non-compliance as a breach, as it is not unreasonable the Trust be outside the SIPP while it is in a transitional period.

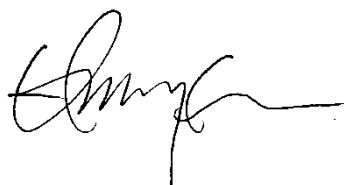
3. PROTECTOR DETERMINATION

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, 2022.

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 Gareth Croft, by phone on (778) 370 7382 or by email at gcroft@kpmg.ca.

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



Huey Lee
Senior Vice President

cc Rob Miller, Miller Titerle + Company and Carla Lutner, AGLT