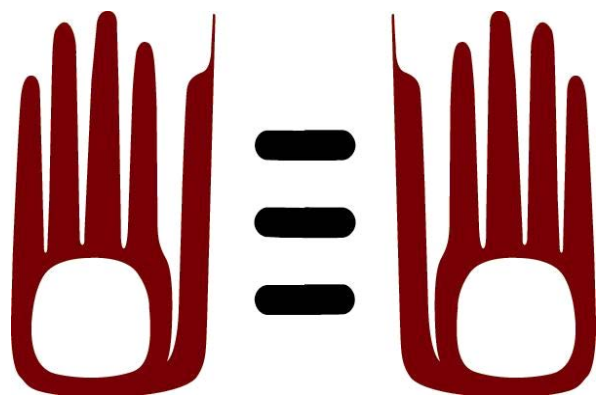


Gwaii Trust Report to the Communities



By: Peter Lantin - Chair

20/10/2011

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Report Prepared for the Council of the Haida Nation's House of Assembly

October 13, 2011

Remarks From the Chair:

This report has been created to provide an overview of the activities of the Gwaii Trust Society (GTS) and the Gwaii Forest Charitable Trust (GFCT). As you may have heard, there have been many changes set in motion over the last two years, and I would like to summarize some of the key items that we hope will have a positive effects on all the communities of Haida Gwaii. I also hope to dispel a few common misperceptions about processes and programs along the way. This report is presented on behalf of the entire Board of Directors & their Alternates, who are:

Directors:

- Trevor Russ – Council of Haida Nation Old Massett
- Shelley Sansome – Graham Island South
- Percy Crosby – Council of Haida Nation Skidegate
- John T Jones – Old Massett Village Council
- James Cowpar – Skidegate Band Council
- Fran Reddick – Graham Island North
- Kristi Schmitz – Area E (Regional District)
- Jim Abbott – Graham Island Central

Alternates:

- Lawrence Jones – Council of Haida Nation Old Massett
- Jacques Morin – Graham Island South
- Cindy Boyko – Council of Haida Nation Skidegate
- Cecil Brown – Old Massett Village Council
- Willard Wilson – Skidegate Band Council
- Kim Mushynsky - Graham Island North
- Warren Foster – Area E (Regional District)

- Brock Storry – Graham Island Central

Culture as it Relates to Tourism

Over the course of the last several months we have heard from individuals and various groups on their opinion of the Gwaii Trust's 5 year Business plan. While most of the comments have been overwhelmingly positive there was a single area that many felt was neglected. That area is in the displacement of our "Culture as it Relates to Tourism" program. Many felt that the originating spirit of the South Moresby Agreement of 1988 was being ignored. While the South Moresby Agreement does not govern Trust programs, the excellent initiative of working to develop the interplay of tourism and culture discussed in 1988 still remains as an economical viable strategy today. While retooling the GTS 5 year business plan the Board felt that culture represents a broader role within the communities than simply as it relates to tourism, so as a reflection of that philosophy the Board ensured that culture should be a consideration as it relates to all programs rather than as a single program.

A review of past years projects (See Appendix I) reinforces the Board's decisions, virtually all of the important culture project approvals would be made under our new guidelines. Today new applications for culture specific projects may be supported under the Trust's artistic programs, food security program, education programs, economic program or youth related programs.

New Program Focus – Food Security, Youth and Economic Development

In December 2010, the Gwaii Trust Board of Directors and Alternates participated in a strategic planning exercise where focus was placed on the current situation of the Gwaii Trust programs. The programs offered by Gwaii Trust in 2010 were as follows:

- Major Contributions;
- Legacy;
- Healthy Humans;
- Culture as it Relates to Tourism;
- Travel Assistance;

- High School Bursary;
- Mature Student Bursary;
- Special Initiatives in Education;
- Arts;
- Christmas Allocation;
- University Tours Grant; and
- Post-Secondary Grant

The focus of this review was based on the impact of programming, how many people on Haida Gwaii are accessing these programs? Are these programs still effective? It was an overwhelming message from the Board that the “volume-type” programs should be untouchable, meaning those programs that are eligible to all residents of Haida Gwaii, the Travel Assistance Program and Christmas Allocation to name a few. Another priority was placed on all the Education programs, those being the High School and Mature Student Bursary, University Tour and Post-Secondary Grants, as well as Special Initiatives in Education. And finally the Major Contributions and Arts programs were also deemed vital and were agreed to be continued.

The three programs that were not meeting their budgets were the Legacy, Healthy Humans and Culture as it Relates to Tourism Programs. Throughout the 2009/2010 fiscal year, as well as the 2010/2011 fiscal year, Gwaii Trust experienced a dramatic reduction in applications to these programs. The discussion focused on the program activity and the belief that the programs have run their course and the priorities of Haida Gwaii are changing. However, the fundamental concepts of the culture, health and legacy programs were still considered valid by Gwaii Trust, and discussions led to ensuring that all these concepts needed to be firmly imbedded within ANY programs that the Trust has to offer, not simply specialized applications.

This led to an interesting exercise where all directors had a chance to talk about their communities and what they felt was important to their communities. The 2 common themes for all communities were Youth and Economic Development.

The Board of Directors reached consensus and agreed that program changes would be discussed and brought to the communities for feedback and input.

Once the new priorities of Youth and Economic Development were identified, community consultation was the next step to see what the communities thought. Consultations took place in each of the communities and most strongly supported this new direction and felt that these priorities accurately reflected today's realities within those communities.

Some dissatisfaction was expressed that focused on the discontinuation of a culture program and whether or not Gwaii Trust supported culture. These concerns were heard clearly and as discussed earlier the Trust has now directly built an overarching culture component into all new programming to ensure that its importance is placed highly within the criteria of accessing funds from Gwaii Trust. The issue of the importance on Culture within Trust can also be better addressed when speaking about the foundational development taking place at Gwaii Trust. This will be reported on further in this report.

Appendix I (below) represents all of the projects approved in the 2010/2011 fiscal year. Included are notes below each program advising which applications would have been approved under our revised guidelines. Once again, you will quickly see that the most worthwhile of these projects would still have been funded under our new program layout. The purpose of the change is to encourage communities to effect real and lasting change, change that is measurable, and supportive of community priorities. The Trust is committed to reviewing these priorities with communities on a regular basis and providing regular public feedback through regular publication of our newsletter and website updates.

All programming will remain the same with the exception of the Legacy, Healthy Humans and Culture as it Relates to Tourism programs. These programs are being replaced with the Food Security, Youth and the seed money to begin the establishment of a Gwaii Trust Community Foundation

In terms of Economic Development, the Trust heard the communities say they wanted the Trust to commit in a meaningful way. On top of this the Trust has

noted a significant increase in the size of requests from communities. In order to responsibly answer these issues the Trust has committed to looking at two types of community investments:

Firstly, on a case by case basis looking at the GTS as a potential partner, through investment or other equity position. These requests would be supported by business plans that confirm a reasonable rate of return and community benefit.

And secondly on a grant basis, where the Trust would look at accumulating a larger portion of dollars to help fund projects that support, or contain a concrete economic development component. While the Trust is growing the dollars to establish this new fund the Board has decided to increase the Major Contributions allocation call to assist all communities in leveraging more dollars. In fiscal 2011/2012 this means a budget increase to Major Contributions of an additional 33%.

To address the absolute needs of all community groups on Haida Gwaii the Trust has established the Haida Gwaii Community Foundation. The idea behind the foundation is to create a mechanism to help our most deserving community groups and programs become self-sufficient over the next period of years. The creation of a foundation allows for the Trust to fully engage in fundraising partnerships with community groups, encourage responsible stewardship and provide double the market returns on any invested funds administered, in order to more quickly have these organizations realize self-sufficiency. To seed this new Foundation the Trust has earmarked \$192,000.00, which will be matched by community Foundation grants. Over the next year the Trust will be working with various island community groups to establish fundraising partnerships and begin to create legacy funds throughout the community.

Food Security - \$165,000 annually (\$85,000 to all schools for breakfast and lunch programs throughout all communities and \$80,000 for community support projects such as, our food banks, sustainable local food sourcing, and education)

Youth - \$150,000 annually (this program has resulted in the establishment of a Gwaii Trust Youth Committee that is tasked with making allocation decisions and

program decisions for all youth applications submitted under this program.) This Youth Committee is designed to be a mirror of the regular Gwaii Trust Board.

Economic Development – this program is under review and requires more specific focus on what role Gwaii Trust should play, if any, in the economic development needs of Haida Gwaii. As explained previously Economic Development is a tough issue, not just here on Haida Gwaii, but across the country and throughout the world.

The reason the role of the Trust is so difficult to define is that as an Island organization we cannot be seen to favor one business entity over another, by granting to a new business when an established competitor already exists within the marketplace. Secondly the Trust should not compete with the Banks, Community Credit Unions, Tricorp, or Community Futures in what they do; and lastly the Trust is committed to maintaining its fund in perpetuity; that is for our children and our children's children and so on. When we look at investing under what remains the scope becomes very narrow. We do feel that every business on Haida Gwaii deserves the same chance as every other business on the planet, and to that end we have agreed to consider investing up to 10% of the Trust's portfolio just as we would with any other non-island investment. That is using the same criteria our own analysts use to pick a stock, with one caveat; initial profits do not have to match our regular rates of return PROVIDED there is a CLEAR economic benefit (jobs), and rates of return eventually reach reasonable rates of return. That said, the business plan HAS to show some kind of profit, and the plan HAS to be substantiated in some concrete manner. Remember this is our children's money we are investing.

The Arts and Poles

In an effort to encourage more project applicants under the Gwaii Trust Arts Program the GTS Arts Committee has been continually refining the program guidelines. Broadening the programs appeal and accessibility the Committee also moved towards installing committee members that represented a culturally and geographical balance, some with deep roots within the local Arts culture. For a

full list of revised project guidelines follow the link at:

<http://www.gwaiitrust.com/programs/2011-2012Arts.html>

Totem poles and the valuable stories they tell have been a faction of life on Haida Gwaii since time immemorial. The Trust has recognized the significant roles that totems play for all of Haida Gwaii. As with all community's historical reference markers, when the dedication marks a community or island reference, as opposed to an individual milestone, the Trust believes it merits support and consideration under many of our programs: arts, education, economic development, and youth all have components where projects involving community poles could be supported. Markers representing specific individuals or family expressions of appreciation or celebration would not be considered under the GTS granting program.

Haida Parity

The following is a snap-shot of the historical financial activity of GTS Haida Parity Funds. The original amount of Haida Parity was set at \$12,300,000 to be divided equally between the 3 Haida entities: CHN, OMVC and SBC. This works out to be \$4,100,000 each. In 2005, a number of Haida projects were approved under Haida Parity and were equally divided amongst the 3 groups. These projects totaled \$600,000 which reduced the overall balance of Haida Parity funds to \$11,700,000. Two projects approved under the initial \$600,000 were de-committed to a value of \$50,753.80, which resulted in an overall balance of \$11,750,753.80 or \$3,916,917.93 each.

See Appendix II: Haida Parity Annual Commitments and Remaining Balance

The original Haida Parity agreement was to cash flow the \$11,700,000 to the 3 members over a 15 year period, as to spread out the cash flow in a manageable way and not put significant pressure on the Gwaii Trust. The original Haida Parity agreement cash flow worked out to be approximately \$780,000 a year, or \$260,000 per member.

In 2010 the Board of Directors discussed Haida Parity and agreed to begin accelerating the payments of Haida Parity in order to put the issue to rest and not

have it carry on for the remaining 10 years of the original cash flow. This was well received by the Haida members as all 3 organizations had numerous projects that could be developed with an influx of funds into the communities.

Investment Portfolio – as of August 2011

The Gwaii Trust Society is currently valued at \$63,442,745 and Gwaii Forest Charitable Trust (GFCT) valued at \$27,431,233, for a total of \$90,873,978. As of the end of Aug 2011, and as everybody has likely heard, the economic markets are not looking that favorable, in fact in the GTS global policy alone for every penny the markets move, it means the Trust's investments change by \$15,000.00, in September alone, global markets shifted down by the equivalent of 0.35cents or \$525,000.00.

Gwaii Trust has historically invested conservatively, always having a greater weight of bonds (lower risk) versus stocks or equities (higher risk). This conservative approach has had great results for the Trust, especially during 2008 when the markets were devastating those who took on more risk. This approach also exposed the lack of diversification of Gwaii Trust and the need to amend the Statement of Investment Policy and Procedures. (SIPP) The Board has just recently amended the SIPP to diversify into real estate and spread out more risk within the Trust in anticipation of more volatile markets. The marketplace was forever changed by the events of 2008, companies that had once posted double digit returns were now on the verge of bankruptcy, even the safe haven of bonds has begun to erode, with interest rates at an all-time low there appears to be only one way for them to go, and that is up. With rising rates we see falling bond rates. In this stagnant marketplace there is no real "safe haven" but there are things the Trust can do to avoid some of the market ups and downs. We look at many different types of investments, things like real estate, where rents provide a fixed rate of return, and hopefully over time capital appreciation, we look for opportunities in the markets, looking at great companies who maintain solid fundamentals, and strong cash flows, but whose stock is undervalued. To facilitate this more flexible approach to investing the Trust has amended its statement of investment policies to allow for the larger market swings. Allowing fund managers to move more into equities as markets change, to allow for a real

estate component, to allow for local investment, and to allow our fund managers to do what they do best – manage our funds.

This doesn't mean that we have taken a hands off approach with our investments, on the contrary we have followed or professional team more closely in the last 3 years than ever before. We have spent countless hours teaching, learning and coaching, which leads nicely into the next item in my report.

Board Capacity Building

As mentioned earlier, we have all heard numerous times that 2008 changed the world marketplace as we knew it. Times are now tough and the financial markets are not as kind as they were even as recently as early 2008. This has put tremendous pressure on the Gwaii Trust Board of Directors to ensure they understand these changes and what it means to the management of the Trust's funds. The Gwaii Trust Board has spent significant time focusing on Board education and capacity building to ensure that all Board members have to the tools necessary to understand and adapt to the constant-changing world of investments. The ability of the Gwaii Trust to produce the necessary cash flow to continue spending at current levels is becoming harder and harder. It comes down to a delicate balance of improving the return on the entire portfolio and controlling spending to ensure sustainable levels are achieved and the perpetual design of the Trust is maintained.

Acknowledgement needs to be given to the Board of Directors for tackling this very difficult issue of capacity building. The Trust has recently made connections with other Aboriginal trusts and has quickly realized that the knowledge level at Gwaii Trust is much higher in comparison to most other trusts. This has made the difficult job of managing the investment portfolio a lot of easier when the Board gains the capacity to do the job. This will always be a top priority for the Trust, especially with the historically high turnover rates for most directors. If anyone would like further information on the Trust's investments or future strategies around financial management please do not hesitate to contact our Administrator.

New Developments – Foundation and Partnerships

I've talked earlier about the new Community Foundation and its purpose and intent, we know these are lofty goals and know the road ahead will be long, however, when we are with our peers and looking at our own measure of success, we feel the Trust has an obligation to try to help others achieve the same measure of success. That area of responsibility lies both locally and abroad.

Locally we are creating the Haida Gwaii Community Foundation so that we may be able to assist in the creation and development of similar success stories throughout the island. Committing to joint fund raising, doubling of interest earned, and coaching fund management where ever possible. The goal is to have many similar perpetual funds throughout the islands self-managing and continuing the good work they struggle to maintain today.

Externally the Trust also maintains an obligation in assisting smaller new Trusts through the complicated and frustrating start up phases, to encourage group education, it has been said there is no better way to learn a lesson than to teach it to others. Along with this comes the benefits of partnerships, sharing in projects, large scale management of systems and efficiencies, and finally in the joint management of funds to the collective benefit of all. Today's marketplace favors the large investor, from preferential rates to specific management of single funds. As an example, in the large scale investment world premium rates and service only begin to apply when you have more than \$50 million in a particular part of a fund. The Trust with its half dozen investment types does not come close to meeting this requirement, however as we partner with more groups we, while maintaining our own identity, will be able to take advantage of these larger economies of scale.

The Trust has already begun down this road, our first partnership was with the Tl'azt'en Nation, as they prepared for corporate settlement dollars. The Trust is working out the bugs in these new partnerships and is almost ready to begin reaching out to likeminded Trust's across the Province, the fact that we have many potential partners interested is an excellent sign of things to come, but like

all decisions at the Trust we want to ensure they are well thought out and mesh well with our existing plans.

Appendix I

2010/2011 Project Profiles:

Major:

Haida Heritage Centre	Heat Pump/Electrical/ Security	\$29,843.00
OMVC	Roofing Machine	\$127,915.00
MIMC	Sandspit Hall Reno	\$70,630.00
Village of Port Clements	Trail Extension	\$19,199.00
Village of Masset	Airport Upgrade	\$200,000.00
Total		\$447,587.00

This program remains and has been modified to include economic development.

Healthy Humans

Ngystle Society	Success Workshop	\$3,500.00
HG Society for Peace	Food Bank Groceries	\$25,000.00
Edge of the World Music Fest	Dance for your Heart	\$4,410.00
QCI Rec Commission	Summer Camp	\$10,535.00
Total		\$43,445.00

Of the 4 projects approved the food bank will still be funded, youth camps will still receive funding and the educational workshop would receive funding. Only the dancing at the edge of the world would not have qualified under today's programs or 10% of all the projects approved.

Haida Parity

SBC	Debt Pay Down	\$1,666,667.00
OMVC	12 Unit Apt	\$500,000.00
OMVC	Haida Salmon Restoration	\$1,600,606.00
CHN	Skidegate Regional Office	\$1,600,000.00
Total		\$5,367,273.00

This program is slated to be paid out as soon as possible

Culture as it Relates to Tourism

MIEDS	Haida Gwaii Promotion	\$15,952.00
MIEDS	Community Map	\$9,842.00
Village of QC	Spirit Square Wall	\$15,493.00
MIMC	Loggers Sports Day	\$3,312.00
MIMC	Gray Bay Provincial Park Camp Repairs	\$20,718.00
CHN	Giving Back the Name	\$17,187.00
Haida Heritage Centre	Website Work	\$4,989.00
Skidegate Social Dev	Haida Fine Arts Employment	\$36,507.00
Haida Child & Family	Strengthening our Community	\$20,000.00
Northern Youth Council	Vests & Blankets	\$6,000.00

Total **\$150,000.00**

Almost all these community projects would be funded under the Trust’s new programming guidelines. Two would be covered off under our new youth category, six would qualify under our new Major Contributions guidelines or under our Economic Development banner. In addition a culture component has been over written in a deeper and broader context to cover all programs the Trust offers.

Legacy:

Haida Gwaii Fitness	Fitness Centre	\$20,000.00
QCI Women’s Society	Renos/Filing Cab/Xerox	\$5,659.00
MIMC	Community Hall Renos	\$12,740.00
QC Fire Dept.	Upgrade Gear	\$8,700.00
Village of Port Clements	Staff Training	\$1,410.00
Village of QC	Staff Training	\$1,344.00
Haida Health	Youth Strategic Planning	\$3,500.00
HG SPCA	Spay & Neuter	\$5,295.00
Tahayghen PAC	Playground Equipment	\$14,347.00
Moresby Research & Dev	Fund Project Development Personnel	\$7,870.00
Village of Masset	Seaplane Dock Renos	\$15,000.00
MMAC/Swan Bay/Rediscovery	Equipment & property renos	\$20,000.00
MMIC	Tsunami Site Project	\$7,260.00
HG Higher Education	Property Renos	\$9,500.00
Tlell Fall Fair	Fair	\$5,000.00
Skidegate Youth Council	Skidegate Days	\$5,000.00
Total		\$150,659.00

Of the above 16 projects 3 are education based, 4 are youth related, 7 are economic development projects and only 2 are outside of today’s new parameters as covered by education, youth, Major/economic development

Special Initiatives in Education

Literacy HG	Early Reading	\$2,310.00
Teen Friends of the library	Teen Reading	\$600.00
MIEDS	Board Workshop	\$3,358.00
School District 50	Job Readiness	\$10,000.00
HG Community Futures	Mural Painting	\$2,055.00
ALM School	Scholarships	\$5,000.00
Ministry of Forests	Youth Mentorship	\$10,000.00
QC Senior Secondary	Computer Math Tests	\$4,100.00
Haida Youth Councils	Laptops	\$3,595.00
OMVC	Energy Efficiencies	\$10,000.00
Total		\$51,018.00

This program remains the same

Arts

Ben Davidson	Apprentice	\$2,880.00
Christian White	Mentoring	\$5,000.00
Margo Hearne	Education	\$2,000.00
Vernal Bogren Smith	Education	\$3,363.00
Ngystle Society	Workshop	\$2,278.00

Heather Ramsay	Workshop	\$2,000.00
MIEDS	Art Route	\$2,830.00
Tidal Elements W/E School	Education	\$4,468.00
Jason Shafto	Workshop	\$1,327.00
Total		\$25,698.00
This program remains the same		

Travel		\$112,500.00
Mature Student Bursary		\$93,750.00
Christmas		\$60,000.00
Post-Secondary Education Grants		\$75,000.00
University Tours Program		\$30,000.00
High School Scholarships		\$40,000.00
Total		\$411,250.00
These programs remain the same		

Total Projects Approved in 2010/2011	\$6,646,930.00
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Appendix II

Haida Parity Annual Commitments and Remaining Balance as at Aug 31st 2011:

Description	Date	Amount	CHN	OMVC	SBC
Projects	2007	\$763,284.00	\$203,366.00	\$280,000.00	\$279,918.00
Carry Forward	2007	\$76,716.00	\$76,634.00	\$0.00	\$82.00
Total	2007	\$840,000.00	\$280,000.00	\$280,000.00	\$280,000.00
Projects	2008	\$1,060,450.00	\$436,007.00	\$265,060.00	\$359,383.00
Carry Forward	2008	\$16,598.00	\$-76,991.00	\$93,956.00	\$-367.00
Total	2008	\$1,077,048.00	\$359,016.00	\$359,016.00	\$359,016.00
Projects	2009	\$389,000.00	\$0.00	\$168,000.00	\$221,000.00
Carry Forward	2009	361,000.00	\$250,000.00	\$82,000.00	\$29,000.00
Total	2009	\$750,000.00	\$250,000.00	\$250,000.00	\$250,000.00
Projects	2010	\$246,667.00	\$0.00	\$80,000.00	\$166,667.00
Carry Forward	2010	\$-367,272.00	253,333.01	\$166,666.67	\$-0.33
Total	2010	\$5,000,001.00	\$166,666.67	\$166,666.67	\$166,666.67
Projects	2011	\$5,367,273.00	\$1,600,000.00	\$2,100,606.00	\$1,666,667.00
Carry Forward	2011	\$-367,272.00	\$66,667.00	\$-433,939.00	\$0.00
Total	2011	\$5,000,001.00	\$1,666,667.00	\$1,666,667.00	\$1,666,667.00
Opening balance		\$11,753,753.80	\$3,916,917.93	\$3,916,917.93	3,916,917.93
Total Projects		\$-7,826,674.00	\$-2,239,373.00	\$-2,893,666.00	\$-2,693,635.00
Total Carry Fwds		\$-340,375.01	\$-482,976.67	\$171,316.33	\$-28,714.67
Balance		\$3,586,704.79	\$1,194,568.26	\$1,194,568.26	\$1,194,568.26
Carry Forwards		\$340,375.01	\$482,976.67	\$-171,316.33	\$28,714.67
Decommissions		\$252,475.64	\$20,061.64	\$171,316.80	\$61,097.20
Bal + C/F's + Decom		\$4,176,555.44	\$1,697,606.57	\$1,194,568.73	\$1,284,380.13