

The Coast Sustainability Trust

Report of the Trustee for the first quarter of 2003

General

As of March 31, 2003 the Trust Balances were as follows:

Matching Fund Account	\$10,193,385
Mitigation Fund Account	<u>\$19,078,438</u>
Total available funds	\$29,271,823
Distributions to beneficiaries to date	<u>\$6,238,678</u>
Total	\$35,510,501

Therefore, interest income to date from investments of the Trust has exceeded total administration expenses by over \$500,000. There may be no need to use any of the capital of the Trust to fund its administration. This would allow over \$1,000,000 more than originally planned to go to beneficiaries.

Mitigation Fund Account

The bulk of the activity in the first quarter of 2003 involved detailed negotiations with licensees, contractors, the IWA and individual workers regarding mitigation for lost contracts or employment as a result of government land use decisions related to the LRMP process. This resulted in significant mitigation payments being made, as described below.

Distributions to Beneficiaries

To date the Trust has received and approved in principle the restructuring plans of the three major licensees on the Central Coast. They are International Forest Products Limited, Western Forest Products Ltd., and Weyerhaeuser Company Limited. These restructuring plans anticipate mitigation to workers and contractors of approximately \$15,000,000. They involve 33 contractors that must be fully or partially bought out, and approximately 180 redundant workers.

As of March 31, 2003, payments totaling \$4.1 million have been made to 16 contractors. Negotiations are proceeding well with the remainder of the central coast contractors, and are expected to be completed in the second quarter of 2003.

Also as of March 31, 2003, payments totaling \$2.1 million have been made to 131 redundant workers. The average severance per employee to date is \$16,318. Payments to the approximately 50 remaining redundant employees are expected to be completed in the second quarter of 2003.

In every case the distributions to workers and contractors satisfied a Distribution Objective of the Deed of Trust that established the CST. In particular, these payments met the

requirement that “The distribution will assist in mitigating any adverse effect suffered by Workers, Contractors and other Beneficiaries as a result of provincial government land use decisions made in respect of the Specified Area.” Each of the workers and contractors met the above test in that the workers all suffered a loss of employment, and the contractors all suffered a loss of contractual rights.

Matching Fund Account

Significant progress was made with the formation of Regional Steering Committees (RSCs) to determine the distribution of Matching Funds. Four of the five planned RSCs have either had their representatives appointed, or commitments have been made to appoint the members, as follows:

Central Coast RSC:

Debbie Nelson	Senior Planner/Administrator	O-K-N Tribal Council
Keith Hamilton	Senior Business Manager	Heiltsuk Tribal Council
Terry Corbould	Chair	Central Coast RD
Bryan Clerx	Director	Central Coast RD

Mount Waddington RSC

Dawn Nicolson Economic Development Coordinator
Musgamagw Tsawataineuk Tribal Council (MTTC)

No second name has been provided yet, but we have written confirmation from the Joint Executive Board of the KDC/MTTC/TN that the KDC will appoint a representative to the Mount Waddington RSC

Larry Pepper	Municipal appointed Director,	Mount Waddington RD
Brenda Swanson	Vice Chair, Area A Director,	Mount Waddington RD

Comox Strathcona RSC

First Nations Representatives

No names have been provided yet, but we have written confirmation from the Joint Executive Board of the KDC/MTTC/TN that the KDC will appoint two representatives to the Comox-Strathcona RSC

Non-First Nations Representatives

No names have been provided yet, but the Trustee will be meeting with the Comox-Strathcona committee of the whole on April 29 to speak with the board to explain the CST and encourage the board to appoint two members to the Comox Strathcona RSC.

North Coast RSC

Because of the make up of First Nations in the area, a decision was made to have 3 First Nations and 3 non First Nations representatives on the North Coast RSC. They are:

Whitney Lukuku	Haisla FN	
Bruce Watkinson	Tsimshian FN	
Bob Hill	Tsimshian FN	
Don Allan	Manager, Ec. Dev. Commission	Prince Rupert
Corien Speaker	Acting Chief Administrative Officer	Prince Rupert
Rod Bedard	Chief Administrative Officer	Port Edward

Queen Charlotte Island RSC

No progress has yet been made with the formation of a Queen Charlotte Island RSC, likely because there has been relatively little progress with the QCI LRMP process.

Community Futures Development Corporation involvement:

A memorandum of understanding has been entered into between the Trustee of the CST and the Community Futures Development Corporation (CFDC) whereby it has been agreed that a local CFDC representative will be a non-voting member of each RSC. Individual CFDC representatives have not been named yet, but that is expected to happen in April, 2003.

The role of the CFDC representative is to act as a liason between the RSCs and the local CFDC. The intent is to streamline project assessment and approval when the Federal government may provide matching funds to a project presented to the RSC for consideration. It is anticipated that Community Matching Fund projects will start to receive funding in the second quarter of 2003.