

The Coast Sustainability Trust

Report of the Trustee for the Second Quarter of 2003

General

As of June 30, 2003 the Trust Balances were as follows:

Matching Fund Account	\$10,306,367
Mitigation Fund Account	\$14,884,899
EBM Land Use Planning Account	<u>\$255,341</u>
Total available funds	\$25,446,607
Distributions to beneficiaries to date	
Severance	\$2,362,408
Contract Mitigation	<u>\$8,238,964</u>
Total Distributions to beneficiaries	<u>\$10,601,372</u>
Total available funds plus distributions	\$36,047,979

During the second quarter the Coast Sustainability Trust (CST) received \$254,000 in donor-directed funds to be used for ecosystem based management (EBM) related land use planning in the Trust area. After allowing for that separate account and its interest, interest income to date from investments of the Trust has exceeded total administration expenses by close to \$800,000. It continues to appear that 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 half 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 Land and Resource Management Plan (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 involve 44 contractors that must be fully or partially bought out, and approximately 180 redundant workers. The restructuring plans originally anticipated mitigation to

workers and contractors of approximately \$15,000,000. As a result of appraisals and negotiations between the licensees, contractors, the IWA and the Trustee, there have been differences between the original estimates for severance and contract mitigation and the final settlements. It now appears that the final severance and mitigation related to the restructuring plans of the above three licensees will be less than \$14,000,000.

No recent government land use decisions related to the LRMP process or EBM have been made, so no new restructuring plans have been prepared by licensees or reviewed by the CST Advisory Board.

As of June 30, 2003, payments totaling \$2.4 million have been made to 155 redundant workers. The average severance per employee to date is \$15,241. Payments to the approximately 25 remaining redundant employees are expected to be completed in the third quarter of 2003.

Also as of June 30, 2003, payments totaling \$8.2 million have been made to 33 contractors. Negotiations are proceeding well with the remainder of the central coast contractors, and are expected to be completed early in the third 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 had their representatives appointed, and have met 2 or more times. Following are the members of each of the RSCs:

Central Coast RSC:

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

Mount Waddington RSC:

Chief Tom Nelson	Chief of the Quatsino Nation Appointed by the Kwakiutl District Council (KDC)
Dawn Nicolson	Economic Development Coordinator Musgamagw Tsawataineuk Tribal Council (MTTC)
Larry Pepper	Municipal appointed Director, Mount Waddington RD
Brenda Swanson	Vice Chair, Area A Director, Mount Waddington RD

Comox Strathcona RSC

Rick Everson	Appointed by the KDC
Bill Harrison	Appointed by the Comox Strathcona Regional District
Peter Rambo	Appointed by the Comox Strathcona Regional District
James Wilson	Appointed by the KDC

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
Ron 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.

Two of the RSCs, Mount Waddington and Comox Strathcona, have decided upon the strategic direction that they want to follow when deciding whether or not to support a request for funding. Requests for expressions of interest will go out in the first half of July, 2003. The Central Coast and North Coast RSCs are still developing their preferred strategic direction, but also hope to be ready to ask for expressions of interest during the summer. It now seems probable that the first Community Matching Funds will be distributed during the third quarter of 2003.

Ecosystem Based Management - Land Use Planning Account

During the second quarter of 2003 the CST received a contribution of \$254,000 in the form of a donor directed trust. It is restricted to providing assistance for land use planning related to EBM, and will not be co-mingled with the other two accounts in the CST. As of the end of the second quarter, no disbursements have been made from this account, and it has grown to \$255,341.

Looking Ahead

During the third quarter of 2003 I expect the following activity:

- The outstanding negotiations between contractors, the IWA and licensees will be completed;
- The outstanding severance and contractor mitigation related to the first round of licensee restructurings will be disbursed.
- The Central Coast and North Coast RSCs will agree on the strategic direction they want to follow in funding projects from the community matching fund.
- Contribution Agreements for the first round of community matching fund projects will be signed, and the first disbursements will be made.
- Contribution Agreements for the first round of EBM Land Use Planning Fund projects will be signed, and the first disbursements will be made.

Eric van Soeren
Trustee