

The Coast Sustainability Trust

Report of the Trustee for the Third Quarter of 2003

General

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

Matching Fund Account	\$10,397,395
Mitigation Fund Account	\$12,101,053
EBM Land Use Planning Account	<u>\$257,227</u>
Total available funds	\$22,755,675
Distributions to beneficiaries to date	
Severance	\$2,907,662
Contract Mitigation	<u>\$10,530,654</u>
Total Distributions to beneficiaries	<u>\$13,438,316</u>
Total available funds plus distributions	\$36,193,991

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 CST has exceeded total administration expenses by over \$900,000. 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

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 43 contractors that must be fully or partially bought out, and 181 redundant workers. These numbers have changed slightly from previous reports because of ongoing negotiations between licensees, contractors and workers.

The bulk of the Mitigation Fund activity in the third quarter of 2003 involved finalizing 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. Mitigation payments related to the Western Forest Products and Weyerhaeuser restructuring plans approved late in 2002 are now complete. Payments to four of the Interfor contractors are

still outstanding, for a variety of reasons. Mitigation payments made to date are described below.

Distributions to Beneficiaries

As of September 30, 2003, payments totaling \$2.9 million have been made to 181 redundant workers. The average severance per employee is \$16,064.

Also as of September 30, 2003, payments totaling \$10.5 million have been made to 39 contractors. Only four affected contractors, for an estimated total value of approximately \$250,000, have not yet been bought out. In each case there are unusual circumstances delaying the buyout, but hopefully they will be resolved in the fourth 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.

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 approximately \$13.7 million.

No recent government land use decisions related to the LRMP process or EBM have been made that negatively affect contractors or workers on the central coast, so no new restructuring plans have been prepared by licensees or reviewed by the CST Advisory Board.

Matching Fund Account

Significant progress was made during the third quarter of 2003 with four of the five Regional Steering Committees (RSCs). Formation of the Queen Charlotte Island (QCI) RSC is on hold because there has been little progress with the QCI LRMP process.

All four existing RSCs 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 have gone out and, as of September 30, 2003, some funding has already been approved. Following is a table that shows the total value of the requests for assistance, and the progress in approving funding for each of the RSCs. As of September 30, 2003, Funding Agreements were being negotiated with proponents of several of the approved projects. The first disbursements were made early in October 2003.

**Status of Community Matching Fund funding requests
As at September 30, 2003.**

Regional Steering Committee	Total Size of Projects	Amount Requested of CST	Amount Rejected by CST	Amount still under consideration by CST	Amount approved by CST	Amount disbursed by CST
Comox Strathcona	\$13,651,168	\$6,937,613	\$5,970,670	\$667,000	\$299,943	\$0
Mount Waddington	\$8,734,432	\$2,499,140	\$1,602,787	\$541,410	\$354,943	\$0
Central Coast	\$2,728,749	\$1,058,783	\$331,233	\$694,000	\$33,550	\$0
North Coast	\$0	\$0	\$0	\$0	\$0	\$0
Total:	\$25,114,348	\$10,495,536	\$7,904,690	\$1,902,410	\$688,436	\$0

Ecosystem Based Management - Land Use Planning Account

In the second quarter a contribution of \$254,000 in the form of a donor directed trust was added to the CST. 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. During the third quarter of 2003 the CST received three funding requests, totaling \$135,000. Two were approved, for a total commitment of \$95,000. As of September 30, 2003 Funding Agreements were being negotiated with the recipients, and early in October the first contribution of \$15,000 was disbursed.

Looking Ahead

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

- The outstanding contractor mitigation related to the first round of licensee restructurings will be disbursed, as only four Interfor contractors remain.
- Reports explaining how the mitigation payments helped the contractors specifically and the coastal logging industry in general will be received from the first of the contractors to receive those mitigation payments.
- Funding Agreements for the first round of community matching fund projects will be signed in the four existing RSC areas, and the first disbursements will be made.
- Further Funding Agreements for the EBM Land Use Planning Subtrust projects will be signed, and the first disbursements will be made.

Eric van Soeren
Trustee