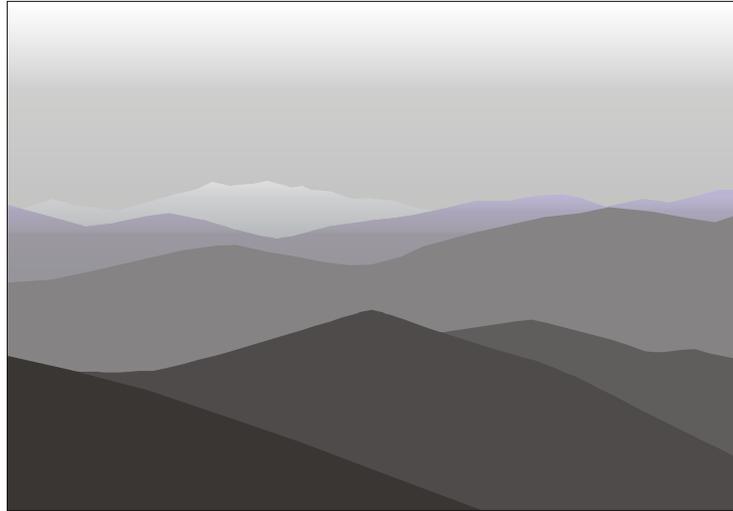


# **The Coast Sustainability Trust**



## **2004 Annual Report**

**Trustee  
Eric van Soeren**

The Honourable George Abbott

Minister of Sustainable Resource Management

Province of British Columbia

Sir:

I am pleased to submit my report on the activities of The Coast Sustainability Trust for the period from January 1, 2004 to December 31, 2004

Eric van Soeren

Trustee

## The Coast Sustainability Trust

### Report of the Trustee

The Coast Sustainability Trust (CST) was established in late March 2002. Its purpose is to mitigate any adverse impacts arising from government land use planning decisions related to the Land and Resource Management Plan (LRMP) process in the Central Coast, North Coast, and Queen Charlotte Islands (the Specified Area), and to help the coastal forest industry and coastal communities and First Nations become more sustainable.

The Trust consists of four funds:

1. A **Mitigation Fund** for workers and contractors affected by provincial government land use decisions;
2. A **Matching Fund** for communities and First Nations that have been negatively affected by provincial government land use decisions, and workers, contractors and communities that may be negatively affected by Ecosystem Based Management impacts;
3. An **Ecosystem Based Management Land Use Planning subtrust (EBM-LUP)**. This subtrust was established in March 2003 to enable participation in, and provide technical assistance to, the LRMP process, to promote and facilitate sustainable economic development, and/or to facilitate community development; and
4. An **Economic, Scientific and Adaptive Management Development and Planning subtrust (ESAMDAP)**. This subtrust was established in March 2004 to enable participation, and provide technical assistance, in the land use planning or implementation and monitoring process; promote sustainable economic development; promote scientific assessment of plan implementation and outcomes; initiate projects that will facilitate economic development; and/or facilitate community development and/or community capacity to undertake community development.

### Trust Administration

A Trustee and a five-person Advisory Board administer the CST. The Advisory Board consists of one representative for the coastal forest industry, one for the Truck Loggers Association, one for the Steelworkers, one for the provincial government and one for communities.

### Following are the criteria for the \$25,000,000 Mitigation Fund:

- Workers and contractors must be negatively affected by provincial government land use decisions related to the LRMP process made in the Central Coast, North Coast, and Queen Charlotte Islands planning areas.
- Workers must be full-time workers who are laid-off permanently some time after January 1, 2000 as a result of these land-use decisions.
- Workers hired and contractors first signed after April 1, 2001 are not eligible.
- Workers and contractors must have been working for mills or forestry related operations that derive at least 25% of their fibre from a specified LRMP planning area.

For workers, the following criteria apply:

- Funding assistance is available as severance. The amount is based on the Coast Master Agreement as of March 31, 2002, which was 7 regular days pay for each full year worked, plus 7/12 of a day for each full month of a partial year.
- Unlike the Coast Master, severance can be paid even though there is not a permanent closure.
- Severance is paid based on Coast Master whether or not the employees are part of a union.
- If there is a reduction of staff, the union, company and the employees can decide who should go. Seniority isn't the only guide. If this results in slightly higher severance payments, the CST will cover it. The point is to help those who want to leave the industry do so to make room for those that want to stay.
- Employees that have partially mitigated their loss by finding alternate employment can still qualify for severance.
- Employees that receive voluntary severance have to sign a release giving up preferential hiring rights and seniority.

For contractors, the following criteria apply:

- Funding assistance is available for contractor buy-outs and payments for redundant equipment.
- Contractor buy-outs are based on a formula tied to the value of the contract and the amount of capital invested in the operation.
- Phase contractors with a low capital investment, such as most falling contractors, will receive 7% of the revenue they would receive if they were working, times 3. This is an estimate of what they may have earned over a 3-year period.
- Contractors with a high capital investment, such as full phase contractors, will receive 10% of the revenue they would receive if they were working, times 4. This is an estimate of what they may have earned over a 4-year period. The extra payment is in recognition of the fact that they had more invested, were likely less mobile, and therefore may have more trouble finding alternate income.
- The above formulas represent an estimate of the fair market value of the contracts if there was an arms length sale between a willing buyer and a willing seller.
- There are caps placed on buy-out payments to reflect known arms length transactions. For example, the most a full phase contractor will likely get is \$16/m<sup>3</sup>, and the most a road builder will get is \$30,000 per kilometer of road.
- In addition, as part of the contract buy-out, contractors are eligible for mitigation payments for redundant equipment based on 25% of the appraised value of their equipment, as determined by Ritchie Bros. The point of this payment is to cover some of the loss in value of the equipment, and the cost of servicing debt and maintaining the equipment when there was little work for it to do.

Any funds remaining in the Mitigation Fund as of March 31, 2005 will, as a condition of the Deed of Trust, be transferred into the Matching Fund. From that point forward these funds will be administered under the guidelines then in effect for the Matching Fund.

**Following are the criteria for the \$10,000,000 Matching Fund:**

- Funding can be directed to First Nations and forest-dependent communities in the Regional Districts of Skeena-Queen Charlotte, Central Coast, Comox-Strathcona, Mount Waddington, and the portions of the Kitimat-Stikine that are included in the North Coast LRMP planning area.

- Forest-dependent communities are defined as those at least 10% dependent on the forestry sector and with at least 10% of the labour force employed through the forest sector.
- Workers, contractors and communities that may be affected by Ecosystem Based Management (EBM) are also eligible. However, EBM has yet to be defined.

The initial fund allocation was as follows:

- \$5,000,000 for Communities, including First Nations.
- \$5,000,000 for workers, contractors and communities that may be negatively impacted by EBM.
- Both allocations are subject to a maximum of 3% administration costs.

During its December 10, 2004 meeting, the CST Advisory Board transferred \$2,500,000 from the EBM account to the Communities, including First Nations, account. This was done because 4 of the 5 Regional Steering Committees had come close to committing all their initial allocation to a variety of projects, while there had been no requests for assistance related to the negative effects of EBM.

The immediate objective of the Matching Fund is to provide funding to projects in communities impacted by the LRMP process. Funds will address local adjustment priorities, needs, opportunities and solutions. Projects must have community and preferably regional support and should result in:

- Regional and community strategic planning;
- Strategic investments with expected long term economic benefits; and
- Reduction of reliance on conventional forestry based activities to alternative and sustainable economic activities.

The following guiding principles are to be applied to projects being submitted to the CST for consideration:

- Helps in developing a regional and community economic development strategy, if no current plan exists.
- Helps diversify the local economy, without adversely affecting the economies of neighboring communities.
- Has tangible long-term direct economic benefits, including employment creation or enhancement.
- Promotes sustainable development within the region.
- Demonstrates broad based community support.
- Is consistent with the community's Community Economic Development Strategy.
- Leverages a minimum of an equal amount of unencumbered private or public sector dollars.
- Does not request funding for activities that can be covered by other existing programs.
- Is environmentally sound and does not cause unsustainable pressure on natural resources.

### **Types of Assistance**

- Funding assistance for communities is available for a variety of activities including:
  - regional planning;
  - infrastructure development; and
  - marketing.

- Assistance will be in the form of grants made directly to communities, First Nations or entities such as not for profit societies or commissions that are formally supported by communities or First Nations.
- No funding will be provided to independent for profit operations.
- Assistance related to EBM will not be available until EBM is defined, and a negative impact on contractors or employees can be identified. At this time nothing has come to the attention of the Trustee to suggest that there has been any contractor or worker displacement as a result of provincial government land use decisions related to EBM, so employees, contractors and communities do not have access to this portion of the fund yet.

**Following are the criteria for the \$254,000 EBM-LUP subtrust:**

Funding can be directed to qualified recipients, such as a First Nations Band or Council, a local government, or a not-for-profit organization located in the Specified Area, providing the proposal meets one or more of the following criteria:

- Enables participation in the Land Use Planning process;
- Provides technical assistance to the Land Use Planning process;
- Promotes sustainable economic development;
- Initiates an infrastructure project that will facilitate economic development; and/or
- Facilitates community development.

**Following are the criteria for the \$145,000 ESAMDAP subtrust:**

Funding can be directed to qualified recipients, including consultants or organizations such as a First Nations Band or Council, a local government, or a not-for-profit organization located in the Specified Area, providing the proposal meets one or more of the following criteria:

- Enables participation in the Land Use Planning or implementation and monitoring process;
- Provides technical assistance to the Land Use Planning or implementation and monitoring process;
- Promotes sustainable economic development;
- Promotes scientific assessment of plan implementation and outcomes;
- Initiates projects and/or infrastructure projects that will facilitate economic development; and/or
- Facilitates community development and/or community capacity to undertake community development.

**Fund Term**

- The CST Mitigation Fund must be disbursed by March 31, 2005. Any remaining funds will be transferred to the CST Matching Fund at that time.
- The CST Matching Fund, the EBM-LUP subtrust, and the ESAMDAP subtrust must be disbursed by March 31, 2007.
- Any remaining funds at March 31, 2007 will be directed by the Trustee to another existing fund or program with objectives that are consistent with the Coast Sustainability Trust.

## **Distributions to Beneficiaries**

### **Mitigation Fund**

As of December 31, 2004, contractor mitigation and employee severance required because of provincial government land use decisions related to the LRMP process on the Central Coast was completed for all of the affected parties. In total, 182 employees received severance funded by the CST since its inception, for a total payout of \$2,933,857. Also, 46 contracts have been fully or partially bought out. The contractors received mitigation payments totaling \$10,749,764 for lost contract value and redundant equipment.

All of the mitigation payments related to the first round of provincial government land use decisions in the Central Coast LRMP area have now been made, at a total cost to the CST of \$13,683,621. No payments have been made related to subsequent provincial government land use decisions on the Central Coast. Also, no payments have been made related the North Coast or Queen Charlotte Islands LRMP areas, because no provincial government land use decisions related to the LRMP process have been made that can be shown to have cost loss of jobs or contracts by harvesting contractors. It now appears very unlikely that any more payments will be made out of the Mitigation Fund before March 31, 2005. Given that any remaining funds will be directed to the CST Matching Fund on April 1, 2005, it now appears likely that the remaining balance of approximately \$12.2 million dollars will be transferred from the Mitigation fund to the Matching Fund on April 1, 2005.

### **Matching Fund**

During 2003 the Advisory Board of the CST approved the creation of 5 Regional Steering Committees (RSCs), based on a combination of Regional District and LRMP area boundaries. These RSCs were established to determine how Community Matching Funds would be allocated. Representation on the RSCs consists of 50% First Nations nominees, and 50% non First Nations community nominees. The RSCs review proposals received directly from communities or First Nations in their area, or from entities supported by those communities or First Nations.

To date, 4 RSCs have been created, representing Comox Strathcona, Mount Waddington, the Central Coast, and the North Coast. Because of delays in the LRMP process, no RSC has been created yet for the Queen Charlotte Islands (QCI). If the LRMP process in the QCI progresses to the point where it appears that there may be a negative impact felt on communities as a result of provincial government land use decisions related to the LRMP process there, then a QCI RSC will be established. Recent developments suggest that may happen in the first or second quarter of 2005

Following is an indication of activity with the RSCs to date:

**Status of Community Matching Fund funding requests  
As at December 31, 2004.**

<b>Regional Steering Committee</b>	<b>Total Project Size</b>	<b>Amount Requested of CST</b>	<b>Amount Rejected by CST or abandoned by applicant</b>	<b>Amount still under consideration by CST</b>	<b>Amount approved by CST</b>	<b>Amount disbursed by CST</b>
<b>Comox Strathcona</b>	\$19,309,639	\$7,714,086	\$6,545,883	\$325,260	\$842,943	\$359,340
<b>Mount Waddington</b>	\$10,972,856	\$3,066,652	\$1,930,321	\$150,000	\$986,331	\$276,340
<b>Central Coast</b>	\$6,766,542	\$1,824,200	\$460,460	\$429,940	\$933,800	\$273,973
<b>North Coast</b>	\$9,474,741	\$2,537,014	\$993,847	\$454,000	\$1,089,167	\$115,000
<b>Total:</b>	<b>\$46,523,777</b>	<b>\$15,141,952</b>	<b>\$9,930,511</b>	<b>\$1,359,200</b>	<b>\$3,852,241</b>	<b>\$1,024,653</b>

Some of the approved Matching Fund amounts led to multi-year funding agreements. Recipients must produce progress reports to demonstrate that they are essentially on track with their proposal, and are achieving the projected results, before they are able to get subsequent installments. All projects are approved subject to the applicant receiving a minimum of dollar for dollar matching funds from a source other than the provincial government. In some cases applicants may not be able to source the matching funds, in which case their approval will be rescinded, and the funds made available for other applicants. As of year-end, the Matching Funds contained approximately 9.4 million dollars.

**Ecosystem Based Management Land Use Planning (EBM-LUP) Subtrust**

The CST has received a total of 4 requests for funding from the EBM-LUP Subtrust, including one recipient that has applied for and received an increased amount. Three were approved, for a total of \$144,188, and one was rejected. As of December 31, 2004, \$135,000 had been disbursed, and \$9,188 was being held pending receipt of final progress reports.

**Economic, scientific and Adaptive Management Development and Planning (ESAMDAP) Subtrust**

As of December 31, 2004 the CST had not received any requests for funding from the ESAMDAP Subtrust.

**Conclusion**

During 2004 the Advisory Board and Steering Committees for 3 of the 4 funds within the Coast Sustainability Trust were active. The Trustee was able to distribute funds to the intended beneficiaries of those accounts, according to the Distribution Objectives of the Deed of Trust that established the CST. As further government land use decisions related to the LRMP process are announced, the Advisory Board and Steering Committees will be ready to respond quickly to proposals to mitigate any negative impacts, and to assist in funding the planning and execution of new sustainable economic initiatives.

**THE COAST SUSTAINABILITY TRUST**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2004**

**THE COAST SUSTAINABILITY TRUST**  
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Exhibit A

To the Trustee  
**The Coast Sustainability Trust**

**AUDITORS' REPORT**

We have audited the statement of financial position of The Coast Sustainability Trust as at December 31, 2004, and the statements of receipts and expenditures and net assets for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and its receipts and expenditures for the year then ended in accordance with Canadian generally accepted accounting principles.

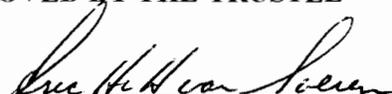
  
\_\_\_\_\_  
CHARTERED ACCOUNTANTS

Vancouver, B.C.  
February 14, 2005

**THE COAST SUSTAINABILITY TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004**

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>			
Cash - note 5		\$ 1,530	\$ 6,393
Marketable securities - Schedule 1		19,661,142	13,784,121
Interest receivable		<u>385,123</u>	<u>483,553</u>
		20,047,795	14,274,067
<b>INVESTMENTS - Schedule 2</b>		<u>1,830,196</u>	<u>8,242,597</u>
<b>TOTAL ASSETS</b>		<u>\$ 21,877,991</u>	<u>\$ 22,516,664</u>
 <b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITY</b>			
Accounts payable and accrued liabilities		<u>\$ 24,400</u>	<u>\$ 22,190</u>
<b>TOTAL LIABILITIES</b>		<u>24,400</u>	<u>22,190</u>
 <b><u>FUND BALANCES</u></b>			
<b>NET ASSETS</b>			
EBM-LUP fund - Schedule 3		141,523	214,882
ESAMDAP fund - Schedule 3		146,894	-
Mitigation fund - Schedule 3		12,194,584	12,090,928
Matching fund - Schedule 3 and note 6		<u>9,370,590</u>	<u>10,188,664</u>
<b>TOTAL NET ASSETS</b>		<u>21,853,591</u>	<u>22,494,474</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 21,877,991</u>	<u>\$ 22,516,664</u>

**APPROVED BY THE TRUSTEE**

  
 \_\_\_\_\_ Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ 365,757</u>	<u>\$ 418,480</u>
<b>NON-OPERATING TRANSACTIONS</b>		
Settlement of Trust	145,000	254,000
Disbursements to beneficiaries	<u>(1,151,640)</u>	<u>(12,222,597)</u>
	<u>(1,006,640)</u>	<u>(11,968,597)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>22,494,474</u>	<u>34,044,590</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 21,853,591</u></u>	<u><u>\$ 22,494,473</u></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b>2004 <u>Total</u></b>	<b>2003 <u>Total</u></b>
<b>INTEREST RECEIPTS</b>	\$ 3,601	\$ 2,309	\$ 297,886	\$ 302,597	<b>\$ 606,393</b>	<b>\$ 859,869</b>
<b>EXPENDITURES</b>						
Administration fees	-	-	31,967	5,017	<b>36,984</b>	25,667
Advisory board meeting costs	-	-	-	-	-	648
Audit fees	-	-	14,608	882	<b>15,490</b>	15,628
Bank charges and interest	260	200	470	245	<b>1,175</b>	1,275
Consulting	-	-	-	-	-	111,755
GST expense	20	5	1,976	262	<b>2,263</b>	26,050
Legal fees	-	-	3,262	2,801	<b>6,063</b>	20,466
Office	-	-	1,680	-	<b>1,680</b>	1,133
Travel and entertainment	-	-	10,120	541	<b>10,661</b>	18,512
Trustee fees	<u>1,680</u>	<u>210</u>	<u>147,630</u>	<u>16,800</u>	<b><u>166,320</u></b>	<u>220,255</u>
	<u>1,960</u>	<u>415</u>	<u>211,713</u>	<u>26,548</u>	<b><u>240,636</u></b>	<u>441,389</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<b><u>\$ 1,641</u></b>	<b><u>\$ 1,894</u></b>	<b><u>\$ 86,173</u></b>	<b><u>\$ 276,049</u></b>	<b><u>\$ 365,757</u></b>	<b><u>\$ 418,480</u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. PURPOSE OF THE TRUST**

The Coast Sustainability Trust (the "Trust") was established by Deed of Trust dated March 28, 2002. Pursuant to Order in Council No. 258, approved and ordered on March 28, 2002, Forest Renewal B.C. made a payment of \$35,000,000 to the Trust. The funds are to be used to:

- a) implement short term mitigation measures for workers, contractors, communities and First Nations on whom the Land and Resource Management Plans ("LRMP") in the Central Coast, North Coast and the Queen Charlotte Islands/Haida Gwai have negative impacts; and
- b) to mitigate the longer term impacts of implementing these plans.

During the prior year, the Trust received \$254,000 in donor-directed funds to be used for Ecosystem Based Management related Land Use Planning ("EBM-LUP Subtrust") in the Trust geographical areas. During the current year, the Trust received \$145,000 in donor-directed funds to be used for Economic, Scientific and Adaptive Management Development and Planning ("ESAMDAP Subtrust"). These funds are to be distributed pursuant to specific donor instructions. The Trustee administers the distribution of the funds and prepares the related funding agreements. In accordance with the terms of the EBM-LUP Subtrust and the ESAMDAP Subtrust, these funds are not to be co-mingled with other funds of the Trust.

**2. BENEFICIARIES OF THE TRUST**

The beneficiaries of the Trust are:

- a) individuals who were employed in the forest industry in specified geographical areas during a specified period;
- b) individuals, companies, partnerships or other entities who provided services as contractors or operated sawmills which received at least 25% of their wood from specified geographical areas during a specified period;
- c) municipalities and unincorporated areas located in certain Regional Districts;
- d) any band (as defined by the Indian Act) located in specified geographical areas; and
- e) any other person or entity appointed by the Trustee as beneficiary in accordance with the Trust Deed.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The Coast Sustainability Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the trust deed and are to be used only for the specified purposes. The Trust comprises the following funds:

**THE COAST SUSTAINABILITY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

3. **SIGNIFICANT ACCOUNTING POLICIES, cont'd**

a) **Mitigation Fund**

i) **Restricted**

This fund is to be used to provide severance payments to employees, mitigation for loss of some or all of a replaceable contract, and mitigation for redundant equipment to contractors in specified geographical areas during the specified period. This fund must be disbursed to beneficiaries by March 31, 2005. Any amount then remaining will be transferred to the restricted Matching Fund.

ii) **Unrestricted**

This fund is to be used for administration expenses incurred over the life of the Trust. Any amount remaining after March 31, 2005 will be transferred to the unrestricted Matching Fund.

b) **Matching Fund**

i) **Restricted**

This fund is to be used to provide assistance to communities and First Nations that have been negatively affected by the LRMP process in the specified areas, and communities, First Nations, contractors and workers on whom Ecosystem Based Management ("EBM") has had a negative impact. Funds can only be disbursed from the Trust if they are matched at a minimum of a 1:1 basis with unencumbered funds from sources other than the provincial government.

ii) **Unrestricted**

This fund is to be used for administration expenses incurred over the life of the trust.

c) **EBM-LUP Subtrust**

i) **Restricted**

This donor directed fund is to be used for Ecosystem Based Management related Land Use Planning in the Trust's geographical areas.

ii) **Unrestricted**

This fund is to be used for administration expenses incurred over the life of the trust.

d) **ESAMDAP Subtrust**

i) **Restricted**

This donor directed fund is to be used for economic, scientific and adaptive management development and planning.

ii) **Unrestricted**

This fund is to be used for administration expenses incurred over the life of the trust.

**Revenue Recognition**

Investment income will be recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

**THE COAST SUSTAINABILITY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

3. **SIGNIFICANT ACCOUNTING POLICIES, cont'd**

Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

4. **STATEMENT OF CASH FLOWS**

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

5. **CASH**

	<u>EBM-LUP</u> <u>Fund</u>	<u>ESAMDAP</u> <u>Fund</u>	<u>Matching</u> <u>Fund</u>	<u>Mitigation</u> <u>Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	2003 <u>Total</u>
Cash	<u>\$ 34</u>	<u>\$ 213</u>	<u>\$ 471</u>	<u>\$ 811</u>	<u>\$ 1,529</u>	<u>\$ 6,393</u>

6. **MATCHING FUND**

The Matching Fund portion (original allocation of \$10 million) of the Trust is to be used to fund certain community initiatives to mitigate adverse impacts from Land and Resources Management Plan ("LRMP") decisions and Ecosystem Based Management ("EBM") in specified areas.

Any disbursement from the Matching Fund is required to be matched on at least a 1:1 basis with unencumbered funds from sources other than the provincial government. The Trustee and his Advisory Board prepared guidelines with respect to the Matching Fund in accordance with the directives in the trust deed and initially allocated the Matching Fund equally to mitigate adverse effects from EBM and LRMP.

During the year the Trustee and his Advisory Board agreed to re-allocate \$2.5 million of the original allocation from the fund to mitigate adverse effects of EBM to the fund to mitigate adverse effects of LRMP decisions.

a) To Mitigate the Effects of EBM

As at the end of the fiscal year, there were no clear guidelines to define and quantify the adverse impacts of EBM. Accordingly, none of the \$2,500,000 allocated to mitigate the effects of EBM have been disbursed.

b) To Mitigate the Effects of LRMP

In accordance with the Trust's guidelines, the Trustee has solicited the formation of Regional Steering Committees ("RSC's") representing each of the five distinct geographical areas covered by the Trust. Each RSC is responsible for reviewing and approving proposals presented to the Trustee for funding.

**THE COAST SUSTAINABILITY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**6. MATCHING FUND, cont'd**

Four RSC's were active during the current year and certain funds were disbursed or committed. The Trustee and the Advisory Board released additional funds to each of the four active RSC's, representing the initial allocation of \$1 million per RSC, plus the reallocation of \$500,000 per RSC.

No RSC has yet been formed to represent the Queen Charlotte Islands region, and accordingly, the second portion of the LRMP funds designated for that area continue to be held pending the formation of a Queen Charlotte Islands RSC.

<u>Geographical area</u>	<u>Non-allocated fund, pending creation of a Queen Charlotte Island RSC</u>	<u>Allocated to specific RSC's</u>	<u><b>Total</b></u>
	<u>\$ 1,500,000</u>	<u>\$ 6,000,000</u>	<u>\$ 7,500,000</u>

The above allocation is prior to any disbursement of funds.

In accordance with the guidelines, any funds which have been allocated to the five RSC's, unused by March 31, 2005, will revert to the restricted Matching Fund allocated to mitigate effects of LRMP. At the discretion of the Trustee and the Advisory Board, these funds may then be reallocated among the RSC's.

The allocations may be reviewed in the future.

In accordance with the Deed of Trust, up to 3% of the initial contribution to the Trust, plus the aggregate income of the Trust net of Income Taxes, may be used for administrative expenses over the life of the Trust. From the inception of the Trust to December 31, 2004, the Trust's receipts exceeded its administrative expenditures.

**7. INCOME TAXES**

The Trustee is of the opinion that the Trust is either a non-profit organization or a public body performing a function of government and is therefore not a taxable entity. In order to confirm the Trust's status for income tax purposes, the Trustee applied to the Canada Revenue Agency (the "CRA") for a ruling during a prior year.

Although the Rulings Directorate of the CRA declined to provide a ruling in writing, the Trustee was advised verbally that the Trust is a holder of a power of appointment granted by the Government of the Province of British Columbia and accordingly, is exempt from income tax as a quasi-governmental agency administering a government program.

**8. GOODS AND SERVICES TAXES**

The Trustee has obtained advice from the CRA that the Trust will not be able to recover any Input Tax Credits.

**9. FAIR VALUE AND CREDIT RISK**

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The trust does not have significant concentration of credit risk.

**THE COAST SUSTAINABILITY TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**10. COMMITMENTS**

In accordance with the Trust deed, all funds must be disbursed to beneficiaries in accordance with the purpose of the Trust and the guidelines prepared by the Trustee and the Advisory Board by March 31, 2007. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

As at December 31, 2004 the Trust had no further commitments for disbursements out of the Mitigation Fund.

The Trustee works closely with the RSC's to solicit funding proposals for projects which meet the Trust's guidelines. Upon acceptance of a proposal, the Trustee enters into a funding agreement with the potential recipient. The agreement ordinarily confirms the Trust's commitment for certain disbursements, the expected timing of the disbursements and the criteria for the release of funds.

As at December 31, 2004, the Trust had made disbursements and had committed to make disbursements out of the Matching Fund as follows:

	<u>2004</u>	<u>2003</u>
Committed to beneficiaries, contingent on availability of matching funds	\$ 2,767,711	\$ 721,380
Irrevocably Committed	59,877	73,650
Disbursed during the year	904,247	120,406
Disbursed during prior years	<u>120,406</u>	<u>-</u>
	<u>\$ 3,852,241</u>	<u>\$ 915,436</u>

As at December 31, 2004, the Trust had made disbursements and had committed to make disbursements out of the EBM-LUP Fund as follows:

	<u>2004</u>	<u>2003</u>
Committed to beneficiaries	\$ 29,188	\$ 79,188
Disbursed during the year	75,000	40,000
Disbursed during prior year	<u>40,000</u>	<u>-</u>
	<u>\$ 144,188</u>	<u>\$ 119,188</u>

As at December 31, 2004 the Trust had no commitments to make disbursements out of the ESAMDAP fund.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
Government of Canada Treasury Bill Face Value \$595,000 Due January 15, 2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587,643
Government of Canada Treasury Bill Face Value \$2,509,000 Due March 25, 2004	-	-	-	-	-	2,426,655
Government of Canada Treasury Bill Face Value \$1,023,000 Due April 22, 2004	-	-	-	-	-	989,211
Government of Canada Treasury Bill Face Value \$900,000 Due July 15, 2004	-	-	-	-	-	877,963
Government of Canada Treasury Bill Face Value \$225,000 Due August 12, 2004	-	-	-	-	-	219,259
CIBC Bankers Acceptance Face Value \$30,000 Due January 5, 2004	-	-	-	-	-	29,962
Franchise Trust 97 Face Value \$155,000 Due January 5, 2004	-	-	-	-	-	154,618

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	-	-	-	5,285,311
Franchise Trust 95 Face Value \$58,000 Due January 5, 2004	-	-	-	-	-	57,926
TD Bank Discount Note Face Value \$210,000 Due January 9, 2004	-	-	-	-	-	209,535
Leaf Trust 90 Face Value \$110,000 Due January 12, 2004	-	-	-	-	-	109,666
CIBC Bankers Acceptance Face Value \$480,000 Due January 26, 2004	-	-	-	-	-	475,323
Province of BC Midterm Notes Face Value \$490,000 Due February 3, 2004	-	-	-	-	-	498,846
BOM Deposit Note Face Value \$387,000 Due March 1, 2004	-	-	-	-	-	399,869

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	-	-	-	7,036,476
CIBC Bankers Acceptance Face Value \$546,000 Due April 15, 2004	-	-	-	-	-	539,480
Caisse Central Desjardins Discount note Face Value \$336,000 Due April 20, 2004	-	-	-	-	-	331,356
RES Government of Canada Face Value \$750,000 Due June 1, 2004	-	-	-	-	-	733,396
RES Province of Ontario Face Value \$5,500,000 Due September 15, 2004	-	-	-	-	-	5,143,413
RES Province of Ontario Face Value \$930,220 Due March 8, 2005	-	-	895,999	-	<b>895,999</b>	-
CPN Ontario Hydro Global Face Value \$1,273,548 Due April 15, 2005	-	-	-	1,222,499	<b>1,222,499</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	895,999	1,222,499	<b>2,118,498</b>	13,784,121
CPN Ontario Hydro Face Value \$797,0830 Due May 3, 2005	-	-	764,065	-	<b>764,065</b>	-
CPN Province of Ontario Face Value \$137,850 Due May 19, 2005	-	-	131,935	-	<b>131,935</b>	-
CPN Province of Ontario Face Value \$2,000,000 Due June 2, 2005	-	-	1,806,750	-	<b>1,806,750</b>	-
CPN Province of British Columbia Face Value \$341,572 Due June 9, 2005	-	-	-	325,828	<b>325,828</b>	-
RES Province of British Columbia Face Value \$940,000 Due June 9, 2005	-	-	-	896,672	<b>896,672</b>	-
RES Province of British Columbia Face Value \$800,000 Due August 23, 2005	-	-	-	728,850	<b>728,850</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	3,598,749	3,173,849	<b>6,772,598</b>	13,784,121
CPN Nova Scotia Power Face Value \$502,960 Due November 15, 2005	-	-	469,999	-	<b>469,999</b>	-
Province of Manitoba Ratcher Coupon Rate Notes Face Value \$1,000,000 Due December 5, 2005	-	-	-	1,000,000	<b>1,000,000</b>	-
Government of Canada Treasury Bill Face Value \$2,571,000 Due March 10, 2005	-	-	-	2,540,704	<b>2,540,704</b>	-
Government of Canada Treasury Bill Face Value \$830,000 Due July 14, 2005	-	-	-	814,498	<b>814,498</b>	-
Government of Canada Treasury Bill Face Value \$411,000 Due October 6, 2005	-	-	-	402,133	<b>402,133</b>	-
Government of Canada Treasury Bill Face Value \$456,000 Due January 27, 2005	-	-	449,524	-	<b>449,524</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	2003 <u>Total</u>
<i>carried forward</i>	-	-	4,518,272	7,931,184	<b>12,449,456</b>	13,784,121
Government of Canada Treasury Bill Face Value \$81,000 Due March 24, 2005	-	-	79,701	-	<b>79,701</b>	-
Government of Canada Treasury Bill Face Value \$442,000 Due April 7, 2005	-	-	438,218	-	<b>438,218</b>	-
Government of Canada Treasury Bill Face Value \$2,712,000 Due June 16, 2005	-	-	2,659,222	-	<b>2,659,222</b>	-
Government of Canada Treasury Bill Face Value \$425,000 Due July 14, 2005	-	-	415,516	-	<b>415,516</b>	-
Bell Canada - Series D MTN Face Value \$932,000 Due May 9, 2005	-	-	-	976,969	<b>976,969</b>	-
RES Ontario Hydro Face Value \$296,000 Due November 3, 2005	-	-	-	286,709	<b>286,709</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	2003 <u>Total</u>
<i>carried forward</i>	-	-	8,110,929	9,194,862	<b>17,305,791</b>	13,784,121
Franchise Trust Discount Note Face Value \$200,000 Due January 5, 2005	-	-	199,144	-	<b>199,144</b>	-
Bank of Nova Scotia BA Face Value \$148,000 Due January 10, 2005	-	-	147,743	-	<b>147,743</b>	-
Bons du Tresor du Quebec Treasury Bill Face Value \$50,000 Due January 21, 2005	-	-	49,560	-	<b>49,560</b>	-
CIBC BA Face Value \$360,000 Due February 1, 2005	-	-	358,820	-	<b>358,820</b>	-
City of Vancouver Face Value \$254,000 Due April 17, 2005	-	-	256,083	-	<b>256,083</b>	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	9,122,279	9,194,862	<b>18,317,141</b>	13,784,121
George Weston Limited Discount Note Face Value \$143,000 Due January 26, 2005	142,736	-	-	-	<b>142,736</b>	-
Cit Group Funding Company Discount Note Face Value \$147,000 Due January 18, 2005	-	146,653	-	-	<b>146,653</b>	-
CIBC BA Face Value \$1,077,000 Due April 15, 2005	-	-	-	1,054,612	<b>1,054,612</b>	-
<b>MARKETABLE SECURITIES</b>	<b><u>\$ 142,736</u></b>	<b><u>\$ 146,653</u></b>	<b><u>\$ 9,122,279</u></b>	<b><u>\$ 10,249,474</u></b>	<b><u>\$ 19,661,142</u></b>	<b><u>\$ 13,784,121</u></b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF INVESTMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b><u>2003</u></b> <b><u>Total</u></b>
RES Province of Ontario Face Value \$930,220 Due March 8, 2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 895,999
CPN Ontario Hydro Global Face Value \$1,273,548 Due April 15, 2005	-	-	-	-	-	1,222,499
CPN Ontario Hydro Face Value \$797,0830 Due May 3, 2005	-	-	-	-	-	764,065
CPN Province of Ontario Face Value \$137,850 Due May 19, 2005	-	-	-	-	-	131,935
CPN Province of Ontario Face Value \$2,000,000 Due June 2, 2005	-	-	-	-	-	1,806,750
CPN Province of British Columbia Face Value \$341,572 Due June 9, 2005	-	-	-	-	-	325,828

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF INVESTMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>EBM-LUP Fund</u>	<u>ESAMDAP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<b><u>2004</u></b> <b><u>Total</u></b>	<b>2003</b> <b><u>Total</u></b>
<i>carried forward</i>	-	-	-	-	-	5,147,076
RES Province of British Columbia Face Value \$940,000 Due June 9, 2005	-	-	-	-	-	896,672
RES Province of British Columbia Face Value \$800,000 Due August 23, 2005	-	-	-	-	-	728,850
CPN Nova Scotia Power Face Value \$502,960 Due November 15, 2005	-	-	-	-	-	469,999
Province of Manitoba Ratcher Coupon Rate Notes Face Value \$1,000,000 Due December 5, 2005	-	-	-	-	-	1,000,000
Enbridge Inc - MTN Face Value \$907,000 Due April 12, 2006	-	-	-	960,150	<b>960,150</b>	-
Province of Ontario Face Value \$801,000 Due July 24, 2006	-	-	-	870,046	<b>870,046</b>	-
<b>INVESTMENTS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,196</u>	<u><b>\$ 1,830,196</b></u>	<u>\$ 8,242,597</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**THE COAST SUSTAINABILITY TRUST**  
**SCHEDULE OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	EBM-LUP Fund		ESAMDAP Fund		Matching Fund		Mitigation Fund		<b>2004 Total</b>	2003 Total
	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted		
Balance, beginning of year	\$ 206,380	\$ 8,502	\$ -	\$ -	\$ 9,579,594	\$ 609,070	\$ 10,738,771	\$ 1,352,157	\$ 22,494,474	\$ 34,044,590
Settlement of trust	-	-	140,650	4,350	-	-	-	-	145,000	254,000
Disbursements to beneficiaries	(75,000)	-	-	-	(904,247)	-	(172,393)	-	(1,151,640)	(12,222,597)
Excess of receipts over expenditures	-	1,641	-	1,894	-	86,173	-	276,049	365,757	418,481
Balance, end of year	<u>\$ 131,380</u>	<u>\$ 10,143</u>	<u>\$ 140,650</u>	<u>\$ 6,244</u>	<u>\$ 8,675,347</u>	<u>\$ 695,243</u>	<u>\$ 10,566,378</u>	<u>\$ 1,628,206</u>	<u>\$ 21,853,591</u>	<u>\$ 22,494,474</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.