

The Coast Sustainability Trust

Report of the Trustee for the Fourth Quarter of 2003

General

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

Matching Fund Account	\$10,276,179
Mitigation Fund Account	\$12,084,536
EBM Land Use Planning Account	<u>\$214,436</u>
Total available funds	\$22,575,151

Distributions to beneficiaries to date

Severance	\$2,907,662
Contract Mitigation	\$10,603,566
Community Matching Funds	\$120,406
EBM Land Use Planning	<u>\$40,000</u>
Total Distributions to beneficiaries	<u>\$13,671,634</u>
Total available funds plus distributions	\$36,246,785

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, income to date from investments of the CST has exceeded total administration expenses by over \$950,000. 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. Most of the first round of distributions on the Central Coast from the Mitigation Fund are now complete.

Distributions to Beneficiaries

As of December 31, 2003, payments totaling \$2.9 million have been made to 181 redundant workers. The average severance per employee is \$16,064.

Also as of December 31, 2003, payments totaling \$10.6 million have been made to 41 contractors. Two Interfor contractors have not yet been paid out, one because he can't be found, and the other because of a death of the principal of the company. One other contractor has not yet been paid out for redundant equipment. The outstanding payments total to less than \$150,000, and may be completed in the first quarter of 2004.

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 slightly less than \$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. However, a second round of Mitigation payments may be required if the final land use decisions related to the CCLRMP process cause further reductions in AAC and/or available timber. Decisions related to the North Coast LRMP process may also require mitigation, but if that happens it is likely to occur a bit later.

Matching Fund Account

Significant progress was made during the fourth quarter of 2003 with four of the five Regional Steering Committees (RSCs). 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. They are also working towards developing Regional Economic Development Strategies. Formation of the Queen Charlotte Island (QCI) RSC is on hold because there has been little progress with the QCI LRMP process.

During the fourth quarter the Advisory Board decided to release a second \$500,000 in Community Matching Funds to each of the four active RSCs. As a result a second request for expressions of interest has gone out.

As of December 31, 2003, funding has been approved and disbursed in three of the RSCs. 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 December 31, 2003, Funding Agreements were being negotiated with proponents of several of the approved projects.

**Status of Community Matching Fund funding requests
As at December 31, 2003.**

Regional Steering Committee	Total Project Size	Amount Requested of CST	Amount Rejected by CST	Amount still under consideration by CST	Amount approved by CST	Amount disbursed by CST
Comox Strathcona	\$17,614,974	\$7,267,613	\$6,020,670	\$947,000	\$299,943	\$40,928
Mount Waddington	\$8,845,032	\$2,499,140	\$1,702,787	\$441,410	\$354,943	\$45,928
Central Coast	\$4,943,764	\$1,003,783	\$281,233	\$462,000	\$260,550	\$33,550
North Coast	\$1,329,369	\$230,455	\$0	\$230,455	\$0	\$0
Total:	\$32,733,138	\$11,000,991	\$8,004,690	\$2,080,865	\$915,436	\$120,406

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. During the fourth quarter a third funding request was approved. As of December 31, 2003, commitments totaling \$119,188 have been made, and \$60,000 has been 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 two 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 community matching fund projects will continue be signed in the four existing RSC areas, and further disbursements will be made.
- Further Funding Agreements for the EBM Land Use Planning Subtrust projects will be signed, and additional disbursements will be made.

Eric van Soeren, Trustee