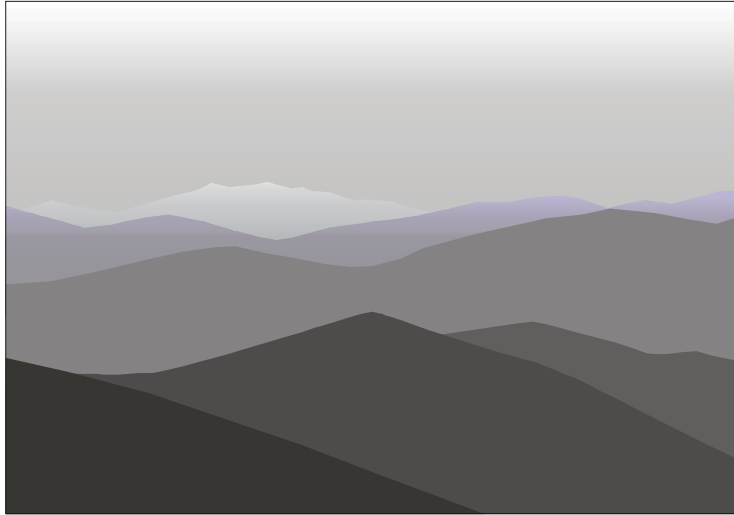


The Coast Sustainability Trust II



**December 31, 2010
Annual Report**

**Trustee
Eric van Soeren**

The Coast Sustainability Trust II

Report of the Trustee

The Coast Sustainability Trust (CST) was established in late March 2002. Its purpose was 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/Haida Gwaii (the Specified Area), and to help the coastal forest industry and coastal communities and First Nations become more sustainable.

On March 31, 2007 the CST was terminated by operation of the Trust Deed that created it. At that time the Advisory Board decided to roll the CST into the Coast Sustainability Trust II (CST II). CST II assumed all the assets and liabilities of the CST, retained the governance structure of the CST, and kept the Matching Fund Guidelines. The main differences are that the Regional Steering Committees now have the ability to increase the CST II commitment to any one project to as much as \$250,000 instead of the previous \$100,000 maximum and, in order to help small communities, the CST II may contribute up to 75% of the first \$50,000 in a project's cost, instead of the previous 50/50 minimum requirement, for all community matching fund projects.

As of December 31, 2010, the CST II consists of four funds, with the following approximate balances:

1. A **Community Matching Fund** for civic communities and First Nations that have been negatively affected by provincial government land use decisions related to the LRMP process. As of year-end, the Community Matching Fund account contained approximately \$5.114 million.
2. An **Ecosystem Based Management Adaptive Management Fund**, whose primary purpose is to fund successful implementation and management of an Adaptive Management program that supports the goals of EBM. As of year end the Ecosystem Based Management Adaptive Management Fund account contained approximately \$674,000.
3. An **Ecosystem Based Management Matching Fund**, for communities, First Nations, workers and contractors that may be negatively affected by the implementation of Ecosystem Based Management. As of year-end, the EBM Matching Fund account contained approximately \$5.615 million; and
4. A **Landscape Reserve Planning Fund**, whose primary purpose is to fund the development and implementation of Landscape Reserve Planning by local First Nation that supports the goals of EBM within the Plan Area. As of year-end the Landscape Reserve Planning Fund sub trust contained approximately \$18,000.

Trust Administration

A Trustee and a five-person Advisory Board administer the CST II. 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.

Community Matching Fund:

The immediate objective of the Community Matching Fund is to provide funding to projects in civic and First Nations communities impacted by the LRMP process. Funding can be directed to First Nations and civic communities in the Regional Districts of Skeena-Queen Charlotte, Central Coast, Comox Valley,

Strathcona and Mount Waddington, and the portions of the Kitimat-Stikine Regional District that are included in the North Coast LRMP planning area. Funds 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, except for projects with a total cost of \$50,000 or less, which may be as much as three quarters supported by the CST.
- 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 Matching Fund Assistance

- Funding assistance for communities is available for a variety of activities, including regional planning, infrastructure development and marketing.
- Assistance is in the form of grants made directly to civic communities, First Nations or entities such as not for profit societies or associations that are formally supported by civic communities or First Nations.
- No funding will be provided to privately owned for profit operations.

Following are the objectives of the Ecosystem Based Management Adaptive Management Fund (EBM-AM):

- To invest in the Central Coast, North Coast and the Queen Charlotte Islands / Haida Gwaii plan areas (EBM-AM Plan Area).
- To fund the successful implementation and management of an Adaptive Management program that supports the goals of Ecosystem Based Management within the EBM AM Plan Area.
- To fund projects in an Annual Work Plan approved by the Joint Land and Resource Forum (JLRF).
- To invest in and support EBM, AM, and other specific uses as directed by the Donor.

Following are the objectives of the Ecosystem Based Management Matching Fund (EBM-MF):

- The same as for the Community Matching Fund, but in addition, workers and contractors that may be affected by provincial government land use decisions related to EBM are also potentially eligible for mitigation payments.
- Assistance related to EBM will not be available until EBM is defined, and a negative impact on contractors or employees can be identified.
- As of December 31, 2010 no disbursements have been made out of the EBM-MF. It now appears there will be negative impacts on workers and contractors in Haida Gwaii as a result of the implementation of EBM, but to date no matching funds have been sourced to enable mitigation payments to be made.
- The Trustee and the Advisory Board are working on sourcing matching funds and establishing guidelines for mitigation for workers and contractors, and hope to have them implemented during 2011.

Following are the objectives of the Landscape Reserve Planning (LRP) sub trust:

- To invest in the Central Coast and North Coast plan areas (LRP Plan Area).
- To fund the successful development and implementation of landscape reserve planning that supports the goals of EBM within the Plan Area.
- To provide regional capacity for First Nations in the LRP Plan Area that are members of the Joint LRF to develop landscape reserve plans that provide for concurrent progress on ecological integrity and human well being objectives.

The initial allocation of the existing funds was as follows:

- The EBM Matching Fund started with \$5.00 million.
- The Community Matching Funds received the balance of the undistributed funds in the CST Matching Fund as of March 31, 2007. This amounted to \$13.06 million.
- The Ecosystem Based Management Adaptive Management Fund received \$580,000 from the Ministry of Agriculture and Land plus the balance of the undistributed funds in the Ecosystem Based Management Working Group Fund as of March 31, 2009. This amounted to an additional \$81,000.
- The Landscape Reserve Planning Fund received \$750,000 from the Ministry of Agriculture and Land.
- All four funds are subject to a maximum of 3% of the capital plus all interest earned to cover administration costs. To date administration costs have remained low enough that all the capital plus a substantial amount of the interest has been retained for the benefit of the intended beneficiaries of the CST and the CST II.

Fund Term

- The CST II will be wound up when all funds have been disbursed, or when the remaining funds are insufficient to justify continued operation of the CST II. If that happens, the Trustee will transfer the remaining balance to one or more entities that have a mandate similar to that of the CST II, on condition that the transferred CST II funds will be used in a way that is consistent with the purpose of the CST II.

Distributions to Beneficiaries

Community Matching Fund

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.

Five RSCs represent the Comox Valley, Strathcona, Mount Waddington, and Central Coast regional districts, and the North Coast and Haida Gwaii. Following is an indication of activity with the RSCs to date:

Status of Community Matching Fund funding requests As at December 31, 2010

Regional Steering Committee	Total Project Size	Amount Requested of CST	Amount Rejected by CST or abandoned by applicant	Amount still under consideration by CST	Number of Approved Projects	Amount approved by CST	Amount disbursed by CST
Central Coast	\$19,349,771	\$5,706,397	\$2,432,633	\$655,000	56	\$2,618,764	\$2,346,765
Comox Strathcona	\$55,074,915	\$13,808,419	\$8,766,491	\$1,193,594	42	\$3,698,333	\$3,419,396
Mount Waddington	\$98,401,177	\$8,833,517	\$4,327,905	\$799,726	49	\$3,705,887	\$2,748,693
North Coast	\$45,934,660	\$8,257,201	\$4,094,730	\$658,639	33	\$3,503,833	\$2,428,448
QCI Haida Gwaii	\$47,248,481	\$6,274,436	\$2,315,190	\$430,000	46	\$3,529,246	\$2,819,106
Total:	\$266,009,004	\$42,879,969	\$21,936,948	\$3,736,959	226	\$17,056,063	\$13,762,408

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 at least one dollar for each three CST II dollars for the first \$50,000 of a project, and dollar for dollar matching funds from a source other than the provincial government for any project funding after that amount. 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 December 31, 2010, 24 projects that had been approved by the CST were subsequently abandoned without any funds being disbursed.

Landscape Reserve Planning (LRP) sub trust

The CST disbursed a total of \$735,000 to two First Nation organizations, the Nanwakolas Council, and the Coast First Nations, during 2009. No funds were disbursed during 2010, so the balance of the original \$750,000 contribution to the CST, plus earned interest, for a total of approximately \$18,000, remains in the LRP sub trust account

Eco-system Based Management Matching Fund (EBM-MF)

The EBM MF did not any disburse any funds other than administration costs pending the sourcing of matching funds to permit the mitigation of the negative effects of the implementation of EBM on workers and contractors.

Eco-system Based Management Adaptive Management (EBM-AM)

The EBM AM sub trust did not disburse any funds other than administration costs and meeting expenses, pending decisions on an Annual Work Plan to be developed and approved by the Joint Land and Resource Forum and the donor.

Conclusion

During 2010 the Regional Steering Committees for the Community Matching Fund were active. The Trustee was able to distribute funds to the intended beneficiaries of the active accounts, according to the Distribution Objectives of the Declaration of Trust that established the CST II, and the Guidelines of the donor directed sub-trusts.

The Trustee, Advisory Board and Regional Steering Committees continue to be ready to respond quickly to proposals to mitigate any negative impacts related to the LRMP process and the implementation of Ecosystem Based Management, and to assist in funding the planning and execution of new sustainable economic initiatives.

THE COAST SUSTAINABILITY TRUST II
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2010

THE COAST SUSTAINABILITY TRUST II
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Schedule of Funds	Schedule 3
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Exhibit A

To the Trustee
The Coast Sustainability Trust II

AUDITORS' REPORT

We have audited the statement of financial position of The Coast Sustainability Trust II as at December 31, 2010, 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, 2010 and its receipts and expenditures for the period then ended in accordance with Canadian generally accepted accounting principles.




CHARTERED ACCOUNTANTS

Vancouver, B.C.
February 15, 2011

THE COAST SUSTAINABILITY TRUST II
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash - schedule 4 and note 5	\$ 34,746	\$ 51,832
Marketable securities - schedule 1	6,784,665	6,246,917
Interest receivable	<u>162,958</u>	<u>68,724</u>
	6,982,369	6,367,473
INVESTMENTS - schedule 2	<u>4,455,027</u>	<u>6,985,471</u>
TOTAL ASSETS	<u>\$ 11,437,396</u>	<u>\$ 13,352,944</u>
<u>LIABILITIES</u>		
CURRENT LIABILITY		
Accounts payable and accrued liabilities	<u>\$ 27,582</u>	<u>\$ 29,367</u>
TOTAL LIABILITIES	<u>27,582</u>	<u>29,367</u>
<u>FUND BALANCES</u>		
NET ASSETS		
EBM Matching fund - schedule 3	5,618,431	5,529,592
EBM-AM fund - schedule 3	673,985	670,939
Landscape Reserve fund - schedule 3	18,234	18,860
Community matching fund - schedule 3 and note 6	<u>5,099,164</u>	<u>7,104,186</u>
TOTAL NET ASSETS	<u>11,409,814</u>	<u>13,323,577</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,437,396</u>	<u>\$ 13,352,944</u>

APPROVED BY THE TRUSTEE

 Trustee

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	\$ (12,463)	\$ 45,433
NON-OPERATING TRANSACTIONS		
Settlement of subtrusts	-	1,330,000
Disbursements to beneficiaries	<u>(1,901,300)</u>	<u>(3,933,714)</u>
	<u>(1,901,300)</u>	<u>(2,603,714)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>13,323,577</u>	<u>15,881,859</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 11,409,814</u></u>	<u><u>\$ 13,323,577</u></u>

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
INTEREST RECEIPTS	\$ (4)	\$ 4,930	\$ 98,006	\$ 89,308	\$ 192,240	\$ 292,997
EXPENDITURES						
Audit fees	250	250	1,000	14,060	15,560	18,970
Bank charges and interest	200	200	200	825	1,425	1,690
GST/HST expense	65	88	961	15,365	16,479	11,572
Legal fees	-	-	-	135	135	3,767
Office	-	-	-	658	658	771
Project analysis	-	-	-	22,880	22,880	36,320
Travel and entertainment	-	-	-	3,966	3,966	5,274
Trustee fees	294	481	7,006	135,819	143,600	169,200
	<u>809</u>	<u>1,019</u>	<u>9,167</u>	<u>193,708</u>	<u>204,703</u>	<u>247,564</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	<u>\$ (813)</u>	<u>\$ 3,911</u>	<u>\$ 88,839</u>	<u>\$ (104,400)</u>	<u>\$ (12,463)</u>	<u>\$ 45,433</u>

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. PURPOSE OF THE TRUST

The Coast Sustainability Trust II (the "Trust") was established by Declaration of Trust dated March 27, 2007.

On April 30, 2007, all assets and liabilities, contingent and otherwise, of the predecessor trust, The Coast Sustainability Trust (the "Predecessor Trust") were transferred to the Trust.

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 Predecessor Trust. The funds were 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 Gwaii had negative impacts; and
- b) to mitigate the longer term impacts of implementing these plans.

During prior years, the Predecessor Trust made all required short-term mitigation payments to workers and contractors.

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

The Trust Deed that created the Predecessor Trust stipulated that it was to terminate on March 31, 2007, and allowed the Trustee two years from that date to determine the disposition of any remaining funds. In anticipation of the termination of the Predecessor Trust, all the Advisory Board and Regional Steering Committee members as well as all First Nations, organized communities and Regional Districts that were potential beneficiaries of the Predecessor Trust, were asked to comment on the disposition of remaining funds. The unanimous response was that the Predecessor Trust should be rolled over into a new trust with similar guidelines to the Predecessor Trust, with certain changes.

The Trustee considered submissions made by various representatives of beneficiary groups and the Advisory Board, and decided to implement the following changes:

1. The maximum possible contribution of the Trust to any specific project has been increased from \$100,000 to \$250,000; and
2. The Trust may contribute up to 75% of the first \$50,000 of any specific project's costs, instead of the prior maximum of 50%.

In addition, the EBM-LUP and the ESAMDAP subtrusts were rolled into a new Ecosystem Based Management Working Group ("EBMWG") subtrust effective April 30, 2007. An additional \$620,000 was received from the Province of British Columbia to fund the EBMWG in a prior period, and a further \$1,024,320 was received from the Province of British Columbia in the prior year.

THE COAST SUSTAINABILITY TRUST II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2. BENEFICIARIES OF THE TRUST

The beneficiaries of the Trust are:

- a) municipalities and unincorporated areas located in certain Regional Districts;
- b) any band (as defined by the Indian Act) located in specified geographical areas; and
- c) any other person or entity appointed by the Trustee as beneficiary in accordance with the Declaration of Trust.

3. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the Declaration of Trust and are to be used only for the specified purposes.

The Trust comprised the following funds during the year:

- a) Communities Matching Fund ("CMF")

This fund is used to provide assistance to communities and First Nations that have been negatively affected by provincial government decisions related to the Land and Resources Management Plan ("LRMP") process in the specified areas. Funds can only be disbursed from the Trust if they are matched at a minimum of a 25%/75% basis, for the first \$50,000 of any specific project's costs, and 50%/50% basis thereafter, with unencumbered funds from sources other than the provincial government.

- b) Ecosystem Based Management Matching Fund ("EBMMF")

This fund will be used to provide assistance to communities, First Nations, contractors and workers on whom Ecosystem Based Management ("EBM") has had a negative impact. Guidelines for the EBMMF will be developed, and disbursements will commence, after EBM is defined and implemented and estimates of its effect on workers and contractors are developed by the Province of British Columbia. The Trustee expected implementation and disbursements to commence during the year, but certain delays occurred. Disbursements are now expected to commence during the next year.

- c) Ecosystem Based Management Working Group ("EBMWG") Subtrust

This donor directed subtrust was used to fund consulting projects approved by the co-chairs of the EBMWG with the goal of improving the scientific basis for Ecosystem Based Management related decisions.

The EBMWG subtrust was discontinued during the year, and the remainder of the funds were transferred to the newly established Ecosystem Based Management Adaptive Management Fund.

- d) Ecosystem Based Management Adaptive Management ("EBMAM") Subtrust

This donor directed subtrust is to be used to provide funding for certain projects in the Plan Area, defined as the Central Coast, the North Coast and the Queen Charlotte Islands/Haida Gwaii. The projects are intended to support the successful implementation and management of an Adaptive Management ("AM") program that supports the goals of EBM within the Plan Area. The fund is also to be used to provide funding for the Annual Work Plan approved by the Joint Land and Resource Forum ("JLRF") established by the Province of British Columbia.

THE COAST SUSTAINABILITY TRUST II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES, *cont'd*

e) Landscape Reserve Planning ("LRP") Subtrust

This donor directed subtrust is intended to fund certain projects in specific Central Coast and North Coast areas. The subtrust is intended to fund landscape reserve planning supporting the goals of EBM within the specific areas and to provide for First Nations that are members of the JLRF in the specific areas the capacity to develop landscape reserve plans.

The Trustee allocates administration expenses among these funds and subtrusts based on the level of activity.

Revenue Recognition

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

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

The Trustee transfers funds from the respective investment accounts to the respective cash accounts on an as-needed basis. Negative cash balances for accounting purposes are the result of cheques issued in excess of cash on hand at that date.

6. MATCHING FUNDS

The Matching Fund portions of the Trust are 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 disbursements from the Communities Matching Fund ("CMF") and the Ecosystem Based Management Matching Fund ("EBMMF") are required to be matched on at least a 25%/75% basis for the first \$50,000 of any project, with a 50%/50% basis thereafter, with unencumbered funds from sources other than the provincial government. The Trustee and his Advisory Board prepared guidelines with respect to the Communities Matching Fund in accordance with the directives in the Trust Deed that created the predecessor trust.

THE COAST SUSTAINABILITY TRUST II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

a) To Mitigate the Effects of LRMP

In accordance with the Trust's guidelines, the Trustee 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.

All five RSC's were active during the current year and certain funds were disbursed or committed. The amounts of funds currently allocated to the five RSC's were as follows:

Central Coast RSC	\$ 3,700,000
Comox Strathcona RSC	3,700,000
Mount Waddington RSC	3,700,000
North Coast RSC	3,700,000
Queen Charlotte Islands/Haida Gwaii RSC	<u>3,700,000</u>
	<u>\$ 18,500,000</u>

The above allocations are prior to any disbursement of funds.

b) To Mitigate the Effects of EBM

The amount initially allocated to mitigate the adverse impacts of EBM was \$5,000,000. No funds were disbursed from the Ecosystem Based Management Matching Fund in the current year.

The allocations between the CMF and the EBMMF may be reviewed in the future.

In accordance with the Declaration of Trust, up to 3% of the initial contribution to the Trust, plus the aggregate income of the Trust, net of Income Taxes, if any, may be used for administrative expenses over the life of the Trust. From the inception of the Predecessor Trust to December 31, 2009, the Predecessor Trust's and the Trust's receipts exceeded administrative expenditures.

7. **DONOR DIRECTED FUNDS AND SUBTRUSTS**

For donor directed subtrusts, the Trustee performs an administrative and managerial function only over the funding process and does not get involved in the funding decisions.

The donors establish the process to give instructions to the Trustee. The Trustee prepares funding agreements in accordance with the instructions, subject to certain approvals. The Trustee is not required to evaluate requests for releases of funds, but is entitled to rely on instructions as long as they are given in accordance with the process established by the donors.

The Trustee monitors the cumulative amounts of funds released for each project to ensure that the cumulative amounts disbursed do not exceed the total amounts authorized.

THE COAST SUSTAINABILITY TRUST II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

8. 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 predecessor 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 predecessor Trust was a holder of a power of appointment granted by the Government of the Province of British Columbia and accordingly, was exempt from income tax as a quasi-governmental agency administering a government program. The Trustee is of the opinion that the tax treatment for the Trust will be the same. During the year the Trustee received a Notice of Assessment confirming that the Trust was not subject to Income Taxes.

9. GOODS AND SERVICES TAXES/HARMONIZED SALES TAXES

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

10. 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.

11. COMMITMENTS

The Trustee works closely with the RSCs 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, 2010, the Trust had made disbursements and had committed to make disbursements out of the Matching Fund as follows:

	<u>2010</u>	<u>2009</u>
Committed to beneficiaries, contingent on availability of matching funds	\$ 3,293,654	\$ 4,746,649
Disbursed during the year	1,900,622	2,620,919
Disbursed during prior years by Predecessor Trust and the Trust	<u>11,861,787</u>	<u>9,240,868</u>
	<u>\$ 17,056,063</u>	<u>\$ 16,608,436</u>

As at December 31, 2010, the Trust had made disbursements out of the EBMWG Fund as follows:

	<u>2010</u>	<u>2009</u>
Disbursed during the year	\$ -	\$ 577,233
Disbursed during prior years	<u>1,616,853</u>	<u>1,039,620</u>
	<u>\$ 1,616,853</u>	<u>\$ 1,616,853</u>

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
CPN Province of Newfoundland Face Value \$15,209 Due July 7, 2011	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000	\$ -
CPN Province of Ontario Face Value \$335,496 Due December 2, 2011	-	330,000	-	-	330,000	-
Res CIBC Face Value \$630,221 Due March 28, 2011	-	-	599,999	-	599,999	-
HSBC Bank Canada Investment Certificate Face Value \$535,000 Due November 23, 2011	-	-	535,000	-	535,000	-
CPN Province of Ontario Face Value \$1,653,983 Due December 2, 2011	-	-	1,604,676	-	1,604,676	-
CPN Province of Ontario Face Value \$689,358 Due January 13, 2011	-	-	-	680,000	680,000	-
CPN Government of Canada Face Value \$596,815 Due June 1, 2011	-	-	-	585,000	585,000	-

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
<i>carried forward</i>	15,000	330,000	2,739,675	1,265,000	4,349,675	-
CPN Ontario Hydro Face Value \$830,390 Due August 6, 2011	-	-	-	809,997	809,997	-
Res TD Bank Face Value \$967,349 Due October 28, 2011	-	-	-	937,974	937,974	-
HSBC Bank Canada GIC Face Value \$162,025 Due December 2, 2011	-	-	-	162,025	162,025	-
CPN Province of Ontario Face Value \$279,853 Due December 2, 2011	-	-	-	275,000	275,000	-
CPN TD Bank Face Value \$258,870 Due December 3, 2011	-	-	-	249,994	249,994	-
Res Province of Nova Scotia Face Value \$652,104 Due September 1, 2010	-	-	-	-	-	649,999

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THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
<i>carried forward</i>	15,000	330,000	2,739,675	3,699,990	6,784,665	649,999
Res Province of Quebec Face Value \$15,000 Due June 28, 2010	-	-	-	-	-	15,023
CPN Province of British Columbia Face Value \$275,260 Due August 23, 2010	-	-	-	-	-	270,612
CPN Province of Ontario Face Value \$1,197,725 Due December 2, 2010	-	-	-	-	-	1,179,527
HSBC Bank GIC Face Value \$600,000 Due December 24, 2010	-	-	-	-	-	600,000
Laurentian Bank of Canada GIC Face Value \$400,000 Due December 24, 2010	-	-	-	-	-	400,000
CPN Ontario Hydro Face Value \$335,000 Due February 6, 2010	-	-	-	-	-	329,368

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THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
<i>carried forward</i>	15,000	330,000	2,739,675	3,699,990	6,784,665	3,444,529
CIBC GIC Face Value \$354,000 Due April 5, 2010	-	-	-	-	-	354,000
National Bank of Canada Face Value \$216,000 Due April 5, 2010	-	-	-	-	-	216,000
Laurentian Bank of Canada GIC Face Value \$800,000 Due June 2, 2010	-	-	-	-	-	800,000
CPN Quebec Hydro Face Value \$1,000,000 Due August 15, 2010	-	-	-	-	-	977,388
Res CIBC Face Value \$463,876 Due September 9, 2010	-	-	-	-	-	455,000
MARKETABLE SECURITIES	<u>\$ 15,000</u>	<u>\$ 330,000</u>	<u>\$ 2,739,675</u>	<u>\$ 3,699,990</u>	<u>\$ 6,784,665</u>	<u>\$ 6,246,917</u>

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
CPN Province of Newfoundland Face Value \$338,247 Due April 17, 2012	\$ -	\$ 330,000	\$ -	\$ -	\$ 330,000	\$ -
CPN Province of British Columbia Face Value \$998,920 Due February 23, 2012	-	-	979,806	-	979,806	-
CPN Ontario Hydro Global Face Value \$433,134 Due April 15, 2012	-	-	422,965	-	422,965	-
Res Bank of Montreal Face Value \$285,323 Due June 21, 2012	-	-	275,260	-	275,260	-
Res Scotiabank Face Value \$1,195,570 Due November 1, 2012	-	-	1,106,999	-	1,106,999	1,106,999
CPN Province of Ontario Face Value \$267,880 Due June 2, 2012	-	-	-	259,999	259,999	-
Res Bank of Montreal Face Value \$207,098 Due June 21, 2012	-	-	-	199,999	199,999	-

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
<i>carried forward</i>	-	330,000	2,785,030	459,998	3,575,028	1,106,999
CPN Province of Manitoba Face Value \$296,896 Due September 5, 2012	-	-	-	279,999	279,999	-
CPN Hydro-Quebec Face Value \$412,332 Due January 10, 2013	-	-	-	386,065	386,065	-
CPN Province of Ontario Face Value \$229,236 Due March 8, 2013	-	-	-	213,935	213,935	-
Res CIBC Face Value \$630,221 Due March 28, 2011	-	-	-	-	-	599,999
HSBC Bank Canada GIC Face Value \$535,000 Due November 23, 2011	-	-	-	-	-	535,000
CPN Province of Ontario Face Value \$1,617,260 Due December 2, 2011	-	-	-	-	-	1,568,477

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
<i>carried forward</i>	-	330,000	2,785,030	1,339,997	4,455,027	3,810,475
CPN Province of Ontario Face Value \$689,358 Due January 13, 2011	-	-	-	-	-	680,000
CPN Government of Canada Face Value \$596,815 Due June 1, 2011	-	-	-	-	-	585,000
CPN Ontario Hydro Face Value \$830,390 Due August 6, 2011	-	-	-	-	-	809,997
Res TD Bank Face Value \$967,349 Due October 28, 2011	-	-	-	-	-	937,974
HSBC Bank GIC Face Value \$162,025 Due December 2, 2011	-	-	-	-	-	162,025
INVESTMENTS	<u>\$ -</u>	<u>\$ 330,000</u>	<u>\$ 2,785,030</u>	<u>\$ 1,339,997</u>	<u>\$ 4,455,027</u>	<u>\$ 6,985,471</u>

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
Balance, beginning of year	\$ 18,860	\$ 670,939	\$ 5,529,592	\$ 7,104,186	\$ 13,323,577	\$ 15,881,859
Transfers among funds	187	(187)	-	-	-	-
Settlement of Landscape reserve subtrust	-	-	-	-	-	680,000
Settlement of EBM-AM subtrust	-	-	-	-	-	650,000
Disbursements to beneficiaries	-	(678)	-	(1,900,622)	(1,901,300)	(3,933,714)
Excess of receipts over expenditures	<u>(813)</u>	<u>3,911</u>	<u>88,839</u>	<u>(104,400)</u>	<u>(12,463)</u>	<u>45,432</u>
Balance, end of year	<u>\$ 18,234</u>	<u>\$ 673,985</u>	<u>\$ 5,618,431</u>	<u>\$ 5,099,164</u>	<u>\$ 11,409,814</u>	<u>\$ 13,323,577</u>

The accompanying notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST II
SCHEDULE OF CASH
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Landscape Reserve</u>	<u>EBM-AM</u>	<u>EBM-Matching Fund</u>	<u>Communities Matching Fund</u>	<u>2010 Total</u>	<u>2009 Total</u>
Cash	<u>\$ 2,802</u>	<u>\$ 10,665</u>	<u>\$ 970</u>	<u>\$ 20,309</u>	<u>\$ 34,746</u>	<u>\$ 51,832</u>

The accompanying notes are an integral part of these financial statements.