

DARYN R. LEAS
BARRISTER & SOLICITOR

422 – 580 RAVEN WOODS DRIVE
NORTH VANCOUVER, B.C. V7G 2T2

(604) 353-2325
DARYN.LEAS@ME.COM

TO: Tla'amin Community Trust Meeting
DATE: September 8, 2020
RE: The Guardian's report to the Tla'amin Community Trust Meeting

At the outset of this report, I make the following as opening comments.

Firstly, I wish wellness and health to all Tla'amin citizens and their families during this difficult time of the COVID-19 pandemic over the past six months. During this troubling time, we have been reminded about the importance of family and community and the need for us to be able to take care of and rely on each other.

Secondly, I am pleased that this Tla'amin Community Trust Meeting has been convened in a virtual format. Due to the COVID-19 pandemic, the Tla'amin Community Trust Meeting that was scheduled originally for May 2020 had to be deferred. We wanted to meet with you earlier this year to present the audited financial statements as soon as practicable but it was not possible.

The Tla'amin Community Trust Meeting is an annual meeting convened by at least 40 Tla'amin Citizens, who are at least 19 years of age, to review materials and ask questions the Trustees about the management and administration of the Trust and the investment of the Trust Property. The Tla'amin Community Trust Meeting has specific duties and powers under the Trust's deed dated April 5, 2016 (the "**Trust Deed**"), including the following:

- participation in the consultations conducted by the Trustees with respect to the establishment of the investment policies;
- review of the annual audited financial statements provided by the Trustees;
- appointment of the Guardian;
- establishment of additional qualifications for the Guardian;
- confirmation or replacement of a substitute Guardian appointed by the Guardian;
- removal of the Guardian and designation of a replacement;
- confirmation or replacement of an interim successor Guardian appointed by the Tla'amin Government Executive; and
- approval of amendments of certain provisions of the Trust Deed.

Lastly, despite the pandemic's significant impact on global markets and businesses, I confirm that the value of investment portfolio of the Qames ʔəms tala Settlement Trust (the "**Trust**") has almost recovered fully without any significant losses. I acknowledge the efforts of the Trustees and their investment managers and agents to protect the trust property.

1. What is the Trust?

The Tla'amin Nation established the Trust in accordance with the Trust Deed between the Tla'amin Government, the Trustees and the Guardian to manage and administer certain monies provided under the *Tla'amin Final Agreement*. It is not a legal entity, such as a corporation or society. It is a fiduciary legal relationship where one party transfers property to another party to be managed for the benefit of a third party.

The Trust's purpose is to provide for the management, investment and disbursement of the trust property – that is, the monies contributed to the Trust – for both the long and short-term benefit of the Tla'amin Nation and Tla'amin citizens. See section 4.1 of the Trust Deed. This means that the trust property is not managed by Tla'amin Government, but by the Trustees who have a legal responsibility to ensure that the management of the trust property is consistent with the terms of the Trust Deed.

Under the Trust Deed, there must be at least three Trustees and a majority of the Trustees must be Tla'amin citizens. The four-year terms of the Trustees are staggered to ensure that the Trustees' terms do not end on the same date and that experienced Trustees are in office at all times. The following are the current Trustees: Kristi Thiele, Alisha Point, Ann Paul and Alex Hugenschmidt and Beth Harry. At present, there is a vacancy in the Youth Trustee position.

The Guardian may appoint a Tla'amin Citizen who is between the ages of 19 to 25 years as Youth Trustee for a term of one year. The Youth Trustee may be re-appointed by the Guardian for successive terms.

2. Why was the Trust established?

Section 87 of the *Constitution of the Tla'amin Nation* (the “**Constitution**”) directs the Tla'amin Government to establish one or more settlement trusts to preserve and protect the Tla'amin capital transfer provided pursuant to the *Tla'amin Final Agreement* and the amounts received under the Resource Revenue Sharing Chapter of the *Tla'amin Final Agreement* and the income derived from the investment of those monies.

As part of the *Tla'amin Final Agreement*, the Tla'amin entered into the *Tla'amin Tax Treatment Agreement* with the federal and provincial governments. Under section 9(1) of the *Tla'amin Tax Treatment Agreement*, the Minister of National Revenue may designate a trust as a “Tla'amin Settlement Trust.” This designation of a trust as Tla'amin Settlement Trust will provide significant tax benefits to the earnings and income generated by the trust property.

In addition to the above-noted tax benefit, there are other reasons to establish a trust to manage and administer monies, including the following.

- 2.1 The Trust provides **accountability and transparency** with respect to the management and administration of the trust property. The Trustees have specific legal duties to manage the trust property in a transparent and accountable manner in accordance with the Indenture.
- 2.2 As Trustees, Tla'amin citizens are responsible for the management of the trust property and the administration of the Trust. This ensures that there is **community involvement** in the management of the financial compensation provided under the *Tla'amin Final Agreement*.
- 2.3 Since the Trust is separate and independent from the Tla'amin Nation, the Trustees manage the trust property **without any political interference**.
- 2.4 The financial compensation assets transferred to the Trust are **protected from any liabilities or debts** of the Tla'amin Nation and its corporations and businesses.

Only monies payable to the Tla'amin Nation under “Chapter 18 - Capital Transfer and Negotiation Loan Repayment” and “Chapter 19 - Resource Revenue Sharing” of the *Tla'amin Final Agreement* may be contributed to the Trust. See section 9(1)(f) of the *Tla'amin Tax Treatment Agreement*. If other monies are transferred to the Trust, the Trust may no longer qualify as a Tla'amin Settlement Trust within the meaning of the *Tla'amin Tax Treatment Agreement*.

3. Role of the Guardian

I was appointed as the initial Guardian under the Trust Deed in 2016 for a six-year term. The Tla'amin Community Trust Meeting appoints the Guardian for a term of six years.

The Guardian has a general role to oversee and supervise the management and administration of the Trust. While the Guardian may work closely with the Trustees from time to time, the Guardian is not a Trustee and operates independently from the Trustees.

The Guardian is responsible to ensure that: (a) the trustees are taking prudent steps to manage and administer the Trust in the best interests of the Tla'amin Nation and Tla'amin citizens; and (b) the Trust is managed in accordance with the Trust Deed. This means that the Guardian must ensure that the Trustees are carrying out their responsibilities under the Trust Deed in a competent and professional manner.

The Guardian has specific powers and responsibilities set out in the Trust Deed, including the following.

- approval of loan prepayment (section 4.2(l));
- approval of disbursements (subsections 7.1(c) and (d));
- approval of Trustee honoraria (section 9.4);
- approval of investment policies (section 10.2);
- approval of administrative amendments of the Trust Deed (section 20.3);
- appointing, replacing and removing Trustees of this Trust and powers related thereto (Part 16);
- approving substantive variations of this Trust Deed (section 20.1); and
- providing written notice for the Tla'amin Community Trust Meeting (section 17.1).

The Trust Deed directs the Guardian to attend all meetings of the Trustees and the Tla'amin Community Trust Meetings. However, the Guardian does not have any voting rights at those meetings.

The Tla'amin Community Trust Meeting can remove the Guardian at any time if he or she is convicted of an indictable offence or any offence involving property held by him or her as a trustee or fiduciary or is bankrupt. Five years after the establishment of the Trust, the Guardian may be removed from office by a resolution of two-thirds of the Tla'amin citizens attending the Tla'amin Community Trust Meeting and appoint another person as the Guardian who meets the qualification set out in the Trust Deed.

The Guardian may resign by giving 90 days' written notice to the Trustees.

4. Activities

I have no concerns with respect to the performance of the Trustees or the management and administration of the Trust over the past year. In my view, the Trustees have acted prudently and reasonably in accordance with the Trust Deed and in the best interests of the Tla'amin Nation and Tla'amin citizens.

I draw your attention to the following matters.

- 4.1 **Investments.** The Trust's investments in 2019 exceeded the benchmark indexes. However, global markets had deep and swift declines in the first quarter of 2020 as a result of the COVID-19 pandemic. In response, governments around the world took aggressive action to support individuals and companies by increasing spending and lowering interest rates and, as a result, global stocks and commodities rallied strongly. As discussed below, the value of the Trust's investments have almost recovered completely from the COVID-19 impacts. However, it is likely that global markets will continue to be choppy and volatile as the global economy grows, as expected, in 2021.

As of July 31, 2020, the total value of the Trust is: \$27.471 million. The Trust is comprised of two segregated or separate accounts: the Capital Transfer Fund and the Economic Development Fund.

- The Capital Transfer Fund consists of the capital transfer and resource revenue sharing payments under the *Tla'amin Final Agreement*. Under the *Tla'amin Final Agreement*, Canada agreed to provide ten annual capital transfer payments to the Tla'amin Nation and, at this time, five of these annual payments remain outstanding that have a total value of more than \$18 million. The Province and Canada also agreed to provide an annual resource revenue sharing payment of approximately \$662,582 (2010\$) to the Tla'amin Nation until 2066.

As of July 31, 2020, the Capital Transfer Fund had a value of \$20.229 million and a one-year investment return of 1.82 percent. This is a disappointing return since the one-year benchmark index was 8.38. percent. However, the annual return as December 31, 2019, was 15.15 percent which slightly exceeded the benchmark index.

- The Economic Development Fund consists of the \$6.942 million provided to the Tla'amin Nation under the *Tla'amin Final Agreement*. No further monies will be transferred to the Economic Development Fund.

The value of the Economic Development Fund is \$7.242 million and had a one-year return of 3.67 percent as of July 31, 2020. Similar to the Capital Transfer Fund, the one-year return for Economic Development Fund falls short of the benchmark index. However, I note that the returns for the Economic Development Fund for 2019 and 2018 exceeded the benchmark. The return of 9.06 percent for 2019 was impressive.

Addenda Capital was retained by the Trustees in 2017 to manage the investment of the trust property in accordance with the investment policies.

The Trustees retained PBI Actuarial Consultants Ltd. (“PBI”) as the financial advisor to provide technical advice and professional services, including independent advice and assessment of Addenda Capital’s investment performance with respect to the trust property. Taking into account any comments from PBI, the Trustees monitor the investment returns of the trust property and ensure that the objectives of the investment policies are being realized.

- 4.2 **Economic Development Fund.** As noted above, the Trust Deed directs the Trustees to also hold the Economic Development Fund provided under the *Tla'amin Final Agreement* in an investment fund separate from the other monies contributed to the Trust. Its funds are intended to be disbursed to pursue economic development opportunities and grow the economic base of the Tla'amin Nation.

The Trustees have established a process for the Tla'amin Nation and Tla'amin citizens to make applications to the Trustees for a grant from the Economic Development Fund to start or grow an existing business or create projects and services that benefit the Tla'amin Nation. A Tla'amin citizen must be in good standing with the Tla'amin Nation to make an application.

If you wish to learn more about the Economic Development Fund and its application process, please do not hesitate to contact a Trustee.

- 4.3 **Training and professional development.** To qualify as a Trustee, the Trust Deed requires that persons must satisfactorily complete an accredited community trustee training program or similar training or undertake to complete such training within a reasonable period of time of his or her appointment as a Trustee.

Whether a Tla'amin citizen is willing to be a Trustee, I encourage interested Tla'amin citizens to participate in such training since it is important for them to gain a greater understanding of the Trust and the roles of the Trustees and the Guardian. If a Tla'amin citizen is interested to undertake such trustee training, please contact me or a Trustee.

I also support the efforts of the Trustees to develop and enhance their capacities and skills as trustees. This means attending trust conferences to learn from the expertise and experiences of other Indigenous communities and their trustees and advisors.

- 4.4 **Community meetings.** The Trustees are willing to convene meetings in Powell River, Vancouver or on Vancouver Island with Tla'amin citizens to provide updates and information about the Trust if there is sufficient interest. If Tla'amin citizens want such a meeting to be held, please contact a Trustee.

Of course, a Tla'amin citizen may participate in a Tla'amin Community Trust Meeting by way of electronic communication if all the persons participating in the meeting can communicate with each other. A Tla'amin citizen participating by electronic means would be deemed to be present at the meeting and counted in the quorum and entitled to speak and vote at the meeting.

I encourage any Tla'amin citizen, who may have any questions or require any clarification about matters related to the Trust, to contact me directly at the above-noted phone number or e-mail address.

Thank you.

A handwritten signature in black ink, appearing to be 'J. M. F.', written in a cursive style.