



STRATEGIC PLAN 2010—2012

COAST OPPORTUNITY FUNDS

COAST ECONOMIC DEVELOPMENT SOCIETY &

COAST CONSERVATION ENDOWMENT FUND FOUNDATION

Weaving Together the Threads of Conservation and Community Wellbeing

Approved December 21, 2009

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MESSAGE FROM THE CHAIR: Looking back, looking forward

Coast Opportunity Funds has a unique role to play in supporting both conservation and sustainable economic development. Healthy, economically viable communities are vital to the success of conservation efforts, and Coast Funds is working hard to do its part to support both of these very important functions.

In doing so, we are guided both by our Vision and Mission and by our annual strategic plans, which cover the next three years' of our operations. This 2010 plan, which covers 2010—2012, has been developed based on our experience from our first two years of operations and is informed by the strategic environment in which we carry out our work (see page 8). That broader context strongly influences our strategy and operations: for example, the current economic climate is an impediment to investment. By being conscious of these issues, we are better positioned to develop effective strategies to overcome or mitigate such impediments and equally importantly, to take advantage of opportunities that present themselves.

Our strategic plan contains six overarching goals. What has become clear to us over the first two years of operations is that our highest priority must be supporting First Nations' capacity to independently understand project opportunities, negotiate the terms of projects and take on the responsibility of implementing projects. This is a core value of Coast Funds, and this will be fundamental to achieving our strategic goals. In particular, it is essential to keep in mind the understanding behind the creation of the Coast Funds' mandate: that successful sustainable economic development for First Nations is vital not only to economic and social wellbeing, but to conservation efforts in the region. Our strategic goals are predicated on that understanding.

Over the next three years and beyond, the Board of Directors of Coast Opportunity Funds will keep our goals at front of mind at all times as we continue to work hard towards achieving successful outcomes in this unique and very important enterprise.

Don Wright, Chair
Coast Conservation Endowment Fund Foundation
Coast Economic Development Society
December 2009

ABOUT US: COAST OPPORTUNITY FUNDS

Weaving together the threads of conservation and community wellbeing

Coast Opportunity Funds is a unique organization born in 2007 out of mutual recognition by conservationists, First Nations governments, resource industries and governments alike that a sustainable economy for First Nations is vital to conservation efforts in the Central Coast, North Coast and Haida Gwaii areas of coastal British Columbia, including the Great Bear Rainforest.

Why is this so important?

First Nations communities have cared for and depended on their traditional territories within this region for their cultural, social and economic wellbeing since time immemorial. These communities have been challenged for decades by heavy resource extraction and the difficulty of sustaining traditional livelihoods and practices within their homelands in a modern economic environment.

The region also has compelling conservation values. The Great Bear Rainforest is a magnificent old growth forest ecosystem representing one-quarter of the world's remaining coastal temperate rainforest, and supporting wild Pacific salmon, grizzly bears, wolves and the white Kermode or "spirit" bear among many other species.

Protection of these unique territories and the social and cultural wellbeing of the people who depend upon them are vital. Coast Opportunity Funds was created to make the vital connection between sustainable development projects that embrace conservation values, the social, cultural and economic wellbeing of the First Nations communities, and long-term conservation of the region.

Designed as a global model of what conservation must become—an inherent part of healthy economies, environments and cultures—our Conservation and Economic Development Funds are dedicated to empowering the First Nations in the Central and North Coasts and Haida Gwaii in achieving healthy and vibrant economies and communities in tandem with the conservation of their homelands for the benefit of future generations.

STRUCTURE OF COAST OPPORTUNITY FUNDS

Coast Funds is comprised of two separate organizations, namely the Coast Conservation Endowment Fund Foundation (the "Foundation") and Coast Economic Development Society (the "Society"). These organizations are managed by boards comprised of the same group of individuals with a broad range of relevant expertise including First Nations representation. This was by design to ensure critical partnering and strategic leveraging of conservation management with economic development initiatives, to be implemented through the leadership of First Nation communities.

The Foundation is a registered Canadian charity (with US 501c3 equivalency) responsible for managing a permanent endowment fund of approximately \$56 million. The net income generated from this fund will provide ongoing funding streams to First Nations to support conservation science, resource planning, capacity development and related conservation management activities. Specific dollar amounts will be allocated annually to each participating First Nation for eligible projects on the basis of each First Nation's original funding allocation and the performance of the fund. The creation of a

charitable entity was necessary in order—for tax purposes—to receipt funds received from private donors for the endowment.

The Society is a not-for-profit corporation responsible for managing a \$60 million economic development fund for First Nation communities and businesses. The capital of this fund will be invested in job creation and business development initiatives over a seven year time horizon, targeting economic sectors identified as having good potential for sustainable development in the region. The creation of a separate non-profit corporation was necessary for this mandate because the investment activities contemplated by the Society cannot be undertaken by a charity under current Canadian laws.

While the Foundation and the Society each have some unique goals as regards to their respective mandates, their vision, mission and work are integrally linked. In general therefore the work of the Foundation and the Society is undertaken jointly under the banner of Coast Funds, as reflected in this strategic plan.

VISION AND MISSION STATEMENTS

The following vision and mission statements established by the Board of Directors guide our daily operations, longer term strategic planning and measurements of success.

OUR VISION is to be a world class model of how empowered aboriginal peoples and communities can achieve meaningful economic development and community health while conserving the integrity of the ecosystems in which they live.

OUR MISSION is to work collaboratively with First Nations to support sustainable economic development and conservation management in the Central Coast, North Coast and Haida Gwaii areas of coastal British Columbia.

OUR CORE BUSINESS

We pursue this vision and mission by partnering with First Nations to develop successful applications that fund sound, high quality projects. To that end, we work with First Nations to support essential capacity strengthening efforts, and engage in the development of relationships and networking with sister agencies, financial institutions and potential partners to leverage additional resources and maximize the impact of Coast Funds' investments. Integral to all our work is the responsible administration and investment of the funds entrusted to us by private funders and the governments of British Columbia and Canada.

CORE VALUES

The Board has adopted the following core values to guide the operations of Coast Funds:

- Building of local capacity: First Nations' capacity to undertake conservation and economic development projects is a fundamental cornerstone for the success of Coast Funds' vision, mission and strategic goals;
- Transparency and accountability;
- Respect for First Nations' history and land use principles and rights;
- Decision-making that is responsive, enabling, and supportive;
- Integrity and consistency in our decisions; and
- Collaboration and inclusiveness in our support of First Nations.

CONTEXT

2008/2009 accomplishments

As anticipated in the original Strategic Plan and as set out in the 2008 Annual Report (both documents are available on the Coast Funds website, www.coastfunds.ca) the initial priority for the Board of Directors in the first full year of operation (2008) was to put in place the initial building blocks to realize the Coast Funds vision and mission. There were three major areas focused upon:

1. Hiring the right leadership and staff for the Funds;
2. Developing healthy relationships with our First Nation clients; and
3. Developing the governance structure, processes and policies which will guide Coast Funds in safeguarding the funds entrusted to us.

The Board garnered strong leadership in hiring two chief executives, David Mannix and Scott Rehmus, who began working in late August, 2008. Their experience, knowledge and skills, combined with that of the other staff, stand Coast Funds in excellent stead as an organization. The first priority was developing open two-way relationships with our First Nation clients, and to learn as much as possible about their objectives and priorities. Staff spent considerable time meeting with Chiefs and Councils to open an ongoing dialogue about the Funds with the communities and their leadership.

Finally, in 2008 core governance, financial and operational policies were established that allowed us to start flowing funds to regional planning projects in October and to the first individual First Nation approved projects early in 2009. The remainder of 2009 has seen the further consolidation of those policies and attendant procedures, the establishment of high-level communications policies and procedures, including the launching of a website, and the roll out of further individual project funding.

Strategic Environment

Coast Funds operates in a strategic environment that offers both opportunities and challenges. Relevant factors influencing the environment in which Coast Funds operates include:

Governmental:

- The 2009 provincial budget makes it clear that discretionary provincial funding will be extremely limited at least through to 2013, affecting all First Nations hoping to access such funding.
- On March 31 2009, the provincial government announced it had established an EBM system for coastal BC. The success of this system depends largely on its implementation and on-going adaptation at the community level. Currently, there is a large gap between the high-level framework and its implementation in First Nation communities.
- A general trend away from traditional government program funding for First Nations has also seen a positive corresponding move towards self-driven projects and the building of foundations for independent integrated resource management departments in community governments, consistent with Coast Funds' goals for supporting capacity development.

Regional:

- Recent economic difficulties not only affect the Province, but also private organizations and businesses who might be potential partners in conservation and economic development projects, and limits the full potential for fundraising efforts. However, discussions with other third party entities (non-governmental, business, municipal and institutional) working in the Project Area indicate they remain committed to engagement with First Nations on potential projects.
- Banks and other traditional lending sources are beginning to engage in the conversation about First Nations financing, but risks—both real and perceived—regarding such investments create barriers to financing not faced by non-First Nation borrowers. There is a need to reduce these barriers by mitigating *perceived* risks through educating investors and by minimizing *real* risks through strategies to address the challenges raised by First Nations' economic development capacity, land-holding regimes and government systems.
- Broad-based, tangible improvements to human well-being are difficult to identify even after years of work. Yet the full potential of this unique model will not be reached unless the twin goals of a healthy environment and healthy communities are both achieved.

Local:

- First Nations vary widely in their governance structures and approaches to the development and implementation of economic development and conservation projects. Building such infrastructure in every community is essential to long-term success.
- Supporting First Nations' capacity to independently understand project opportunities, negotiate the terms of projects and take on the responsibility of implementing projects is a core value of Coast Funds and fundamental to achieving our strategic goals. In particular, in developing goals it is essential to keep in mind the understanding behind the creation of the Coast Funds mandate: that successful sustainable economic development for First Nations is vital not only to economic and social wellbeing, but to conservation efforts in the region.

STRATEGIC GOALS AND OBJECTIVES 2010—2012

The content of the 2010—2012 strategic plan reflects the strategic environment described above, and is the result of reviewing what we have learned from our discussions with the First Nations communities and our experiences over the last 18 months.

In particular, Coast Funds clearly understands that First Nations' capacity and positive relationship-building are our highest priorities if we are to achieve our goals.

GOAL 1: To promote robust and diverse community economies throughout the region. Over the long term, this work will catalyze a shift to a more sustainable regional economy based on preserving ecological integrity of the coastal temperate rainforest and the adoption of ecosystem-based management (EBM) practices.

Objectives:

- Support the development and implementation of meaningful and sustainable economic development projects.
- Enhance First Nations' opportunities to access sector-based economic opportunities.

GOAL 2: To contribute to conservation goals that include a substantial network of well-managed protected areas and the adoption of EBM practices.

Objectives:

- Help build sustainably-funded resource management offices in First Nations with the resources and capacity needed to implement EBM and adapt it over time.
- Support regional organizations and infrastructure that efficiently provide technical expertise as well as on-going learning, training, and support for staff of First Nation resource offices.

GOAL 3: To increase the capacity in First Nations' communities to realize sustainable economic development opportunities and participate in conservation management, project development and job development.

Objectives:

- Identify and implement strategies to take advantage of the greatest opportunities for Coast Funds to assist with strengthening capacity.
- Make capacity strengthening a fundamental component of all projects.

GOAL 4: To build relationships and support partnerships and integrated regional planning and collaboration with non-government organizations and agencies, local governments and business groups involved in sustainable economic and community development in the region.

Objectives:

- Contribute to a positive climate for third party investment in and support of conservation and economic development projects and related capacity building initiatives.
- Contribute to the establishment of a long-term climate of sustainable economic investment that will last beyond the lifetime of the economic development fund.

GOAL 5: To exchange information, knowledge, expertise, and lessons with conservation and sustainable economic development investment programs in BC, Canada and world wide.

Objectives:

- Ensure that Coast Funds and First Nations have access to the most up-to-date information available to support their work.

GOAL 6: To ensure that Coast Funds has the capacity and capability as an organization to support First Nations' efforts throughout the region.

Objectives:

- Be a model of best practices in terms of operations, governance, communications with and support for Participating First Nations, Members and Funders.
- Ensure the highest level of collaboration and coordination between the Foundation and the Society in undertaking their joint and individual functions.

IMPLEMENTATION PLAN 2010—2012

Coast Funds is working towards the following targets and desired outcomes over the next three years.

ACTIVITIES	DESIRED TARGETS AND OUTCOMES
Core Business	
Project development (supports goals 1—3)	Through proactive communication and interaction with First Nations, provide advice and mentorship to: <ul style="list-style-type: none"> • Generate maximum number of inquiries for eligible economic development projects and increase numbers of sound, high quality applications resulting from inquiries. Target: 50—75 inquiries annually/ 40—50 applications submitted.¹ • Develop plan with each First Nation and regional body detailing the proposed use of their conservation allocation over time; see a resulting increase in numbers of high quality applications. By end of 2010—plans developed for each allocation, 8 comprehensive applications submitted; end of 2011—15 comprehensive applications submitted; end of 2012—all applications part of comprehensive plan.
Project approvals (supports goals 1—3)	Increase ratio of sound, high quality applications and projects geared for success, with minimal risk of non-compliance with goals of Coast Funds: <ul style="list-style-type: none"> • The Society to approve and disburse allocations of: 2010, \$6 million; 2011, \$8 million; 2012, \$10 million. • The Foundation to approve and disburse allocations of: 2010, \$3.05 million; 2011, \$3.05 million; 2012, \$2.35 million. • In 2010, create evaluation framework based on established models, adapted to Coast Funds' mandate and including criteria for evaluation, measures for success and reporting process, measuring progress by First Nations and Coast Funds towards meeting long-term goals.
Capacity and Relationship Strengthening	
Capacity (supports goals 1—3, 5)	<ul style="list-style-type: none"> • In 2010, work with First Nations and other partners to develop a strategy for strengthening capacity, including an assessment of capacity gaps and the identification of strategies to diversify and increase funding for building capacity. • Explore capacity development partnerships with educational institutions and instigate pilot project with CSSI to provide business development capacity to HEDC and additional pilot projects with other institutions to add to First Nations capacity.

¹ As allocations are drawn down on the Society Fund, overall annual applications are expected to decrease.

	<ul style="list-style-type: none"> • Act as catalyst for the exchange of beneficial information and resources through development of communications products covering sectoral research publications, lessons learned, best practices and successful precedents undertaken elsewhere.
<p>Relationship building/ networking</p> <p>(supports goals 1—5)</p>	<p>Take brokering role in proactively assisting to leverage additional funding and support for both conservation and economic development projects in order to maximize the impact of Coast Funds investments:</p> <ul style="list-style-type: none"> • Provision of information: Identify and target potential financiers and partners to create comprehensive database on potential funding sources by end of 2011. • Diversification: Broaden scope of target market to include financial institutions, foundations, government programs, NGOs and all other potential sources to maximize opportunities for access by First Nations to additional sources of finance. • Open discussions with at least 10 more organizations in 2010 with a view to establishing 3—4 additional confirmed funding sources.
<p>Operations</p>	
<p>Finance and Admin</p> <p>(supports goals 1—6)</p>	<p>Perform to the best practices of good governance and ensure daily operations are efficient and cost effective. In addition, by 2011 Coast Funds will:</p> <ul style="list-style-type: none"> • Complete a risk management plan. • Finalize implementation of human resource policies including completion of Employee Handbook and adoption of a performance review system. • In accordance with funding agreements, by March 30 2010 appoint external reviewers to review the efficiency and effectiveness of the operations of the funding agreements and the funding of projects. • Engage in comprehensive strategic planning process for 2011—2014 incorporating three years’ of operational experience, integrated regional planning process and anticipating/planning for expiry of the economic development fund and the potential for renewal/expansion of one or both funds.

FINANCIAL PLAN: Coast Economic Development Society*Financial Summary*

(In 000's)	Forecast 2009 ^{Note 1}	Proforma 2010	Proforma 2011	Proforma 2012
Total Assets	\$62,400	\$56,900	\$49,300	\$39,300
Revenue	\$2,000	\$1,875	\$1,675	\$1,375
General and administrative expenses	<u>900</u>	<u>1,075</u>	<u>1,075</u>	<u>1,075</u>
Excess (deficiency)	1,100	800	600	300
Awards expensed and disbursed ^{Note 2}	\$2,800	\$6,000	\$8,000	\$10,000

Notes:

- 1) Forecast 2009 incorporates actual third quarter earnings.
- 2) Awards are expensed and disbursed upon the recipient meeting criteria including completion of a funding agreement.

Revenue

- Investment income earned from investment of the funds is directed towards payment of the Society's general and administration expenses over the life span of the organization.
- The investment objective is to generate revenue of at least 3.00% before investment management fees annually. This objective aligns with the risk profile of the asset mix, 90% fixed income and 10% equities.
- In fiscal 2009, the Society benefited from the opportunity to invest a portion of the funds at a lower market cost as equity markets declined in the early part of the year.
- Projected revenue over the 3 year period from 2010 to 2012 is based on a 3.40% annual return, marginally in excess of the investment objective. The decline in future year earnings is attributable to reduction in funds as awards are distributed to First Nations.

General and Administrative Expenses

- General and administrative expenses are projected to remain stable over the 3 year period from 2010 to 2012.
- Throughout the period from 2010 to 2012, the Society is compliant with the terms of the funding agreement which specifies operating costs not exceed 2% of funds under management by both the Foundation and the Society.

Awards

- The Society approved its first awards in October 2008. Total awards to the end of third quarter 2009 was as follows:

(In 000's)	Number of Approved Awards	Approved Awards	Awards Disbursed
Regional	6	\$1,230	\$957
Individual	<u>24</u>	<u>4,888</u>	<u>1,994</u>
Total	30	6,118	2,951

- The Society's goal is to approve and disburse awards totaling \$24.0 million over the upcoming 3 year period.
- In the past year and continuing through 2010, the focus has been and will continue to be on First Nation planning, development of organization infrastructure, and capacity strengthening. As these foundational issues are addressed, the gap between approved awards and disbursed funds is projected to close.

FINANCIAL PLAN: Coast Conservation Endowment Fund Foundation*Financial Summary*

(In 000's)	Forecast 2009 <small>Note 1</small>	Proforma 2010	Proforma 2011	Proforma 2012
Total Assets	\$64,500	\$63,700	\$63,300	\$63,600
Revenue	\$2,200	\$2,900	\$2,900	\$2,900
General and administrative expenses	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Excess (deficiency)	1,960	2,650	2,650	2,650
Awards expense <small>Note 2</small>				
Regional	\$300	\$700	\$700	\$ -
Individual	<u>1,100</u>	<u>2,350</u>	<u>2,350</u>	<u>2,350</u>
Total	1,400	3,050	3,050	2,350

Notes:

- 1) Forecast 2009 incorporates actual earnings to the end of the third quarter.
- 2) Awards are expensed and disbursed upon the recipient meeting criteria including completion of a funding agreement.

Revenue

- Investment income earned from investment of the funds is directed towards awards to individual First Nations as well as the Foundation's general and administration expenses.
- The investment objective is to generate revenue of 3% plus the Consumer Price Index before investment management fees annually. This objective aligns with the risk profile of the asset mix, 40% fixed income and 60% equities.
- In fiscal 2009, the Foundation benefited from the opportunity to invest a portion of the funds at a lower market cost as equity markets declined in the early part of the year.
- Projected revenue over the 3 year period from 2010 to 2012 is based on a 5.00% annual return, in line with the investment objective.

General and Administrative Expenses

- General and administrative expenses are projected to remain stable over the 3 year period from 2010 to 2012.
- Throughout the period from 2010 to 2012, the Foundation will continue to be compliant with the terms of the funding agreement which specifies operating costs may not exceed 1% of the initial endowment.

Awards

- The Foundation approved its first awards in October 2008. Total awards to the end of third quarter 2009 was as follows:

(In 000's)	Number of Approved Awards	Approved Awards	Awards Disbursed
Regional	3	\$562	\$562
Individual	<u>7</u>	<u>697</u>	<u>143</u>
Total	10	1,258	705

- The Foundation's goal is to approve and disburse a minimum of \$2.35 million in individual First Nation awards annually.

NOTES ON STRATEGIC PLAN AND PLANNING CYCLE

Coast Funds is required to produce a three-year strategic plan annually. The strategic planning cycle for each year commences in the preceding September, led by Coast Funds' staff with guidance from the Board of Directors, for completion and approval by the Board in time to be made available publicly by January 1. This 2010 plan covers 2010—2012.

The founding strategic plan, approved in 2008, focused primarily on the implementation of essential operational and policy measures required to support the work of Coast Funds. In 2009, both the Society and the Foundation are in a position to focus on the core goals of Coast Funds as an organization, and the objectives and measures required to support those goals over the long-term.

A key responsibility of staff is to ensure the maturation of the strategic planning exercise over time, increasingly incorporating relevant research, dialogue and collaboration with First Nations, stakeholders and global peers.

In 2010, therefore, a comprehensive strategic plan for 2011 to 2014 will be developed that incorporates the experience garnered from the first three years of operation, including the experience of the stakeholders, and which considers the potential renewal and/or expansion of one or both Funds. As part of the planning process, a detailed SWOT (strengths/weaknesses/opportunities/threats) analysis will be undertaken to inform decision-making.

Strategic plans of Coast Funds are publicly available; see our website www.coastfunds.ca.