

**APPLICATION FORM FOR PERMISSIVE
EXEMPTION FROM PROPERTY
TAXATION FOR 2021-2023**

(Section 224 of the Community Charter)

1. IDENTIFICATION OF APPLICANT:

Organization name: Island Corridor Foundation

Are you registered under the *Societies Act*? Yes ☒ No ☐

Are you a registered charity? Yes ☒ No ☐

Mailing Address: Box 375 Stn A Nanaimo BC V9R 5L3

Contact Person: Debbie Mann Email Address: debbiemann@islandrail.ca

Telephone Number: 250-668-8799 Fax Number: _____

Preferred method of application reminder: Email ☒ Mail ☐

2. PROPERTY (complete a separate form for each property)

Folio Number: 0003.060, 0003.061, 0003.062 Address: _____

Legal Description: Please see attached cover letter

Registered Owner (if different than above): _____

3. ABOUT YOUR ORGANIZATION: Please include (i) a brief description of the goals, objectives and mandate of the organization, (ii) your administrative, volunteer and Board structures and (iii) your days and hours of operation. Please attach additional documentation if necessary.

- (i) Please see "About the Island Corridor Foundation" for a description of the goals, objectives, and mandates.
- (ii) The attached "ICF Governance" describes our administrative, volunteer, and board structure ICF employs 4 full time employees.
- (iii) Our office hours are Monday to Friday from 8:00 am to 5:00 pm



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4. **PRINCIPAL USE OF THIS PROPERTY:** Please provide a brief description of the principal use of the property and how this use benefits the community.

Please see "About the Island Corridor Foundation"

5. **PUBLIC ACCESS:** Please describe how your organization's services are available to the public. Is access to your organization's services limited in any way?

Please see "About the Island Corridor Foundation"

6. **USAGE STATISTICS:** What percentage of your total client/member base are Esquimalt residents?

The E&N Trail was built in partnership with the Township of Esquimalt and the CRD for the benefit of all Esquimalt residents.

7. **COMMERCIAL ACTIVITY:** Please provide a brief description of any commercial activities that your organization conducts on this property.

The Island Corridor Foundation does not conduct any commercial activities on the properties within the Township of Esquimalt.



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8. **FUNDING:** Please provide details about any fees that are charged for your services. Please outline the attempts made to secure funding from other sources and provide details about funding that has been secured, including from other municipalities or levels of government?

The Island Corridor Foundation is funded by donations and by collecting fees derived from crossing agreements and licenses of occupation.

In 2025 the ICF received a total of \$151,500 from the CRD, Cowichan Valley RD, RDN, ACRD and the Comox Valley RD to coordinate and facilitate discussion amongst our members as they participate in the Shared Vision Project.

In 2025 the ICF also received \$81,840 from the CRD to ongoing subregional planning within the CRD

9. **LEASED SPACE:** Please attach any and all lease agreements for any portion of the identified property that your organization rents or leases to another organization or individual.

Please see the attached Licence of Occupation with the Capital Regional District

10. **PUBLIC ACKNOWLEDGEMENT:** All recipients of Township of Esquimalt permissive tax exemptions are required to publicly acknowledge the exemption. How does your organization plan on publicly acknowledging the exemption?

The ICF will update their website to ensure the permissive tax exemption from the Township of Esquimalt is acknowledged.

11. **FINANCIAL STATEMENTS:** Attach your most recent financial statements.

Please see attached.

12. **DECLARATION:**

I am an authorized signing officer of the organization and I certify that the information given in this application is correct. Should a permissive tax exemption be granted on the above listed property, I agree to the following terms:

- If the property is sold prior to the exemption expiration or if the conditions of the exemption are breached, the organization will remit to the Township an amount equal to the taxes that would have otherwise been payable by a non-exempt owner.
- The property use will be in compliance with all applicable municipal policies and bylaws.
- The organization will publicly acknowledge the permissive tax exemption granted by the Township.

Signature

General Manager

Position

Debbie Mann

Name (please print)

September 26 2025

Date



ISLAND
CORRIDOR
FOUNDATION

Box 375 Stn A Nanaimo, BC V9R 5L3
office 250 754 7254
islandrail.ca

September 26, 2025

Township of Esquimalt

1229 Esquimalt Road
Esquimalt BC V9A 3P1

For the Attention of Ian Irvine, Director of Financial Services
RE: Late Application - Permissive Tax Exemption, Township of Esquimalt

The Island Corridor Foundation acknowledges that this application is being submitted after the stated deadline. We sincerely apologize for our oversight and any inconvenience this may have caused.

We would be grateful if the Township of Esquimalt would accept our late submission for a permissive tax exemption, which would enable the Foundation to continue contributing to the community through our rail-with-trail initiatives, as well as advocating for the best future use of the corridor to benefit all residents of Vancouver Island.

The Island Corridor Foundation requesting a 2026 Permissive Tax Exemption for the following lands owned within the jurisdiction of the Township of Esquimalt.

Roll Numbers: 01-307-0003.060, 01-307-0003.061, and 01-307-0003.062

Legal Descriptions: Lot A, Section 10 & 11, Plan VIP66612 Lease GCMK-506-0301 within right of way leased to Esquimalt Municipality for road encroachment (.247A) and part in Lot A, Section 2 (Reference Plan VIP65446) Right of Way & SRW over VIP70031 excluding leased portion and SRW over VIP70308 & VIP70137, VIP70477 & VIP70478, Lot A, Plan VIP65446, Esquimalt Land District, Lot A, Plan VIP66612, Section 10&11, Esquimalt Land District,

The Island Corridor Foundation (ICF) is a federally registered charity that owns the E&N Corridor on Vancouver Island. Since acquiring this asset in February 2006, the Foundation has worked to ensure the long-term viability of the corridor for the benefit of all Vancouver Island Residents.

The ICF is eager to continue working in close partnership with Esquimalt to ensure this corridor provides meaningful benefits and is well utilized by your community. We are highly supportive of ongoing development through these lands, including rails-with-trails, public spaces, utilities, and other infrastructure projects.

Property taxes for the corridor would account for a significant portion of the Foundation's overall operating budget. Reducing this tax burden is central to the sustainable future of this corridor. In this regard, your favourable review of this Permissive Tax Exemption application is a significant step in confirming the long-term sustainability of this vital island asset.

ICF serves the communities of Vancouver Island and gratefully acknowledges that we work on the traditional and unceded territories of many diverse First Nations, including the Esquimalt, Songhees, Malahat, Cowichan Tribes, Ts'uubaa-asatx, Halalt, Stz'uminus, Penelakut Tribe, Snuneymuxw, Snaw-Naw-As, Qualicum, K'ómoks, Hupacasath, and Tseshaht. We acknowledge that Indigenous peoples have stewarded these lands since time immemorial and are committed to strong Indigenous partnerships and relationships based on principles of Reconciliation



We include the following documents to complete our application:

- About the Island Corridor Foundation
- ICF Governance
- Signed financial statements prepared by Doane Grant Thornton dated December 31, 2024
- Copy of the Licence of Occupation between the Capital Regional District and the Island Corridor Foundation.

We apologize again for our late submission and thank you for your time, understanding, and continued support.

If you have any questions or comments, please contact our General Manager Debbie Mann at (250) 668-8799 or debbiemann@islandrail.ca

Respectfully submitted,

Thomas Bevan
Chief Executive Officer
Island Corridor Foundation
thomasbevan@islandrail.ca



About the Island Corridor Foundation

Purpose of the Organization:

The Island Corridor Foundation (ICF) is a federally registered charity established for the purposes of owning and managing the former E&N Corridor on Vancouver Island. The foundation recognizes the importance of this corridor as a link that connects communities economically, socially and spiritually, today, and for all time. The foundation represents First Nations and Local Governments adjacent to the corridor.

Since its formation in 2006, ICF has been working diligently to secure a stable and prosperous future for the corridor for the benefit of all Vancouver Island Residents

General Statement of Activities:

Through the sustained efforts of elected leaders of both First Nations and Local Governments who have accepted a mandate to work towards the preservation of the corridor, the charitable objectives of ICF are to:

- Acquire, preserve and develop for purposes of the Foundation and its objects, but for no other purposes, the Island Corridor which lies north-south from Victoria to Courtenay, east-west from Duncan to Lake Cowichan, and east-west from Nanaimo to Port Alberni on Vancouver Island together with ancillary lands, structures and all other property rights attached thereto (the "Island Corridor") and the infrastructure and other assets that constitute the E&N Railroad and are located on the Island Corridor (the "Railroad")
- Maintain the Island Corridor as a continuous special use connection for all communities, while respecting and supporting First Nations interests and traditional lands and uses
- Contribute to safe and environmentally sound freight rail service within active sections of the corridor
- Encourage flexible infrastructure along the Island Corridor which will encourage a wide range of economic and trade activity for the benefit of all communities lying adjacent to the Island Corridor
- Preserve archaeological resources, historic landmarks, structures, artifacts and historic routes along the Island Corridor for historical purposes and for ongoing and future use by the community

About the Island Corridor Foundation

- Create trails, parks, gardens, greenways and other public areas for use of members of the public along the length of the Island Corridor
- Conserve the environmental and spiritual features and functions of the Island Corridor in respect of the land, water and natural resources for the general benefit of the public, and
- Do all such charitable activities which are incidental to and beneficial to the attainment of the purposes stated above.

Description of Population Served:

The ICF is governed by 12 Board of Directors. Six directors represent the Regional Districts and six directors represent First Nations. Membership is limited to local governments and First Nation governments whose territories are wholly or partly within the geographic area of the Corridor. ICF operates under the by line ".....connecting Communities". This is identified to describe physical connections, but also economic and cultural connections. The following charitable actions of the foundation are undertaken for the benefit of all Vancouver Island Residents:

- First Nations: There are 14 First Nations groups along the corridor who play a strong role in ICF by selecting nominees to serve on the Board of Directors. The Foundation supports First Nation-owned businesses by contracting their services for corridor improvements, vegetation management, and by booking their venues for meetings and events.
- Industry: The maintenance and protection of the corridor will benefit existing and new industries through the provision of viable alternatives to truck traffic
- Freight Rail Users: Provide safe and environmentally sound freight rail service to local businesses
- Trail Users: Recreational users, tourists, and commuters
- Utilities: The corridor provides a continuous connection to essential utilities such as fiber-optic cable, water, sewer, hydro, and natural gas.
- Adjacent Communities: The corridor plays a crucial role in adjacent communities, providing a key resource and a valuable asset.

Description of Community Benefits:

- Continuing Freight Service: Rail is the safest, most cost-efficient and most environmentally friendly form of surface transportation available. The ICF presently has an Interim Operating Agreement with Southern Rail of Vancouver Island (SVI). One of their many functions is to unload barged rail freight which is then distributed to residents and businesses throughout Vancouver Island.

- Potential Future Commuter Rail or other Active Transportation Opportunities: The east coast of Vancouver Island is among the fastest growing areas in Canada. A continuous corridor will play a critical role in any transportation strategy aimed at meeting the needs of future generations.
- Tourism Benefits: The ICF believes there is significant potential for greater and more efficient integration with transportation services. Coordinated connections such as bus shuttles from train stations to airports, cruise ships, and ferry terminals combined with expanded excursion rail options like hi-rail bus tours or targeted ultralight train service, could greatly enhance the tourism experience. Linking these services would enhance Vancouver Island's appeal as an accessible destination for tourists from the mainland and abroad.
- Rails-with-trails: It is the intention of the ICF in cooperation with our members and local governments to eventually construct a trail running the length of the corridor. The ICF has signed access agreements with almost every Regional District and Municipality along the corridor. Trails have been constructed from Victoria to Langford, Shawnigan, Cowichan Valley, Duncan, North Cowichan, Lake Cowichan, Nanaimo, Lantzville, Parksville, Qualicum Beach, Courtenay, and most recently Port Alberni. These integrated trail systems enhance communities by promoting healthy lifestyles, offering safe non-motorized travel, and creating tourism opportunities.
- Long-term employment for First Nations: The corridor lands require continuous monitoring, maintenance, and repair. The ICF is committed to ensuring these employment opportunities are available to our First Nation members.
- Integrity of the Corridor: The corridor runs within 30 minutes of more than 80% of all Island residents and represents an irreplaceable asset and invaluable resource to the economic vitality of Vancouver Island communities. Its role for transportation, recreation and tourism will only grow in importance as communities along the corridor continue to expand and develop.

LICENCE OF OCCUPATION

THIS AGREEMENT dated for reference the 1st day of September, 2007.

BETWEEN:

**ISLAND CORRIDOR FOUNDATION
(Inc. No. 419938-3)**

320 - 256 Wallace Drive
Nanaimo, B.C. V9R 5B3

(the "**Grantor**")

OF THE FIRST PART

AND:

CAPITAL REGIONAL DISTRICT

625 Fisgard Street
Victoria, B.C. V8W 1R7

(the "**Grantee**")

OF THE SECOND PART

WHEREAS:

- A. The Grantor is the owner of lands legally described as set out in Schedule "A" attached to and forming part of this Agreement and containing the historical E&N Rail Line;

(the "**Lands**");
- B. The Grantee has received an infrastructure grant under the Agreement on the Transfer of Federal Gas Tax Revenues under the New Deal for Cities and Communities 2005 - 2015 between Her Majesty the Queen in Right of Canada, Her Majesty the Queen in Right of the Province of British Columbia and the Union of British Columbia Municipalities. The funds are to be used in relation to an eligible project in the form of the construction, operation and maintenance of a multi-purpose regional park trail for public use;
- C. The Grantee has requested that the Grantor grant a licence to use and occupy a portion of the Lands for the purposes of constructing, operating and maintaining a multi-purpose regional park trail for public use.;
- D. The Grantor has agreed to grant to the Grantee a Licence of Occupation over a portion of the Lands on the terms hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and covenants contained in this Agreement, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree with each other as follows:

1.0 DEFINITIONS

1.1 In this Agreement the following terms mean as follows:

- (a) **"Motor Assisted Cycle"** means a motor assisted cycle that meets the requirements of the Motor Assisted Cycle Regulation, B.C. Reg. 151/2002 made pursuant to the *Motor Vehicle Act*;
- (b) **"Multi-purpose Use"** means uses of the Regional Trail by members of the public on foot, horseback, bicycle or by way of other non-motorized vehicle or Motor Assisted Cycle.;
- (c) **"Regional Trail"** means the regional trail for Multi-purpose Use constructed, operated and maintained by the CRD on a portion of the Lands as approximately shown on Schedule "B" attached to and forming part of this Agreement and within which the typical finished trail surface will be four metres (4m) in width within a typical five to eight metres (5 - 8m) wide Regional Trail corridor.

2.0 RIGHT TO USE

- 2.1 The Grantor grants to the Grantee, subject to the performance and observance by the Grantee of the terms, conditions, covenants and agreements contained in this Agreement, a non-exclusive right by way of licence allowing the Grantee to enter on the Lands and to install, construct, operate, maintain and repair the Regional Trail.
- 2.2 The Grantor grants to the Grantee, its officers, servants, agents, employees, contractors and subcontractors the right to do all acts, things and matters necessary for or incidental to the installation, construction, operation, replacement, maintenance and repair of the Regional Trail.
- 2.3 The Grantor grants to the Grantee and the Grantee's elected officials, officers, agents, employees, contractors, subcontractors and licencees, the right to pass and repass, with or without motorized vehicles, along and upon portions of the Lands necessary to access the Regional Trail, and along and upon the Regional Trail for the purposes of installation, construction, operation, replacement, maintenance and repair of the Regional Trail.
- 2.4 The Grantor grants to the Grantee and the Grantee's invitees and licencees, including members of the public, the right to pass and repass on foot, horseback, bicycle or by way of any other wheeled non-motorized device or Motor Assisted

Cycle, along and upon that portion of the Lands necessary to access the Regional Trail and along and upon the Regional Trail upon terms and conditions set by the Grantee.

3.0 QUIET ENJOYMENT

- 3.1 The Grantor covenants and agrees to and with the Grantee that the Grantee may peaceably hold and enjoy the rights granted in this Agreement.

4.0 THIRD PARTY INTERESTS

- 4.1 The Grantor reserves to itself from the grant and covenants made by it to the Grantee under section 1.0, the right for the Grantor, its agents, employees, lessees, contractors, subcontractors and licencees to have full and complete access to the Regional Trail to carry out any operations associated with the Grantor's or other Licencees' use of the Regional Trail during the Term or Renewal Term of this Agreement, provided that such access and use does not damage, or unreasonably disrupt or interfere with the Grantee's Regional Trail.

5.0 PLANS AND DRAWINGS

- 5.1 The Grantee shall provide to the Grantor, at no cost to the Grantor, copies of any as-built drawings, plans or surveys produced, commissioned or otherwise acquired by the Grantee in the course of the Grantee's exercise of its rights under this Agreement, that show the extent and location of the portion of the Lands being used by the Grantee for the purpose of the Regional Trail, as well as any improvements installed or constructed by the Grantee. A reduced copy of such drawings, plans or surveys shall be deemed to form part of this Agreement upon written agreement of the parties.

6.0 CONSIDERATION

- 6.1 In consideration of the rights of the Grantee under this Agreement and to offset the Grantor's annual administrative costs in administering this Licence the Grantee shall pay to the Grantor:

- (a) on or before January 4, 2008 an administration fee in the amount of one ^{five} thousand six hundred and sixty-six (~~\$1,666.00~~) Dollars representing a ~~portion of the annual administration fee for that portion of the Term from September 1st to December 31, 2007;~~ ^{to August 31st, 2008.}
- (b) on or before September 1st, in each of the years 2008 to and including 2011 of the Term an annual administration fee in the amount of five thousand (\$5,000.00) Dollars;
- (c) on or before September 1st, in each of the years 2012 to and including

Confirmed by email to
Parks & REC dated Oct. 10/07. *[Signature]*

2016 an annual administration fee in the amount of five thousand (\$5,000.00) Dollars adjusted upward or downward based on a five (5) year cumulative Victoria - all items Consumer Price Index and for each subsequent year in the Term or Renewal Term on or before September 1st an annual administration fee based on this revised fee to be adjusted upward or downward based on a five (5) year cumulative Victoria - all items Consumer Price Index in subsequent five (5) year intervals of the Term and Renewal Term unless mutually agreed otherwise by the Parties.

- 6.2 If, in the portion of the year 2007 of the Term, the Grantor is not exempt from paying real property taxes for the Lands or has failed to secure grants to offset such taxes, the Grantee shall pay as a licence fee to the Grantor on or before the 4th of January, 2008 an amount equivalent to the real property taxes associated with the Lands, or any portion of the Lands, for which exemptions or grants have not been obtained for that portion of the 2007 year in which the Grantee is a Licensee under this Licence of Occupation provided that beforehand the Grantor has provided to the Grantee a copy of the Real Property Tax Notice(s) confirming the amount of real property taxes owing with respect to the Lands.
- 6.3 If, in the second calendar year of the Term, that being the year 2008, the Grantor is not exempt from paying real property taxes associated with the Lands, despite having made reasonable efforts to obtain exemptions from the relevant authorities having jurisdiction to grant or apply real property tax exemptions, then the Grantee agrees to pay as a licence fee to the Grantor on or before the 15th of June an amount equivalent to the real property taxes associated with the Lands or a portion of the Lands for which exemptions or grants have not been obtained provided that beforehand the Grantor has provided to the Grantee a copy of the Real Property Tax Notice(s) confirming the amount of real property taxes owing with respect to the Lands.
- 6.4 Subject to 6.5, if, in the third calendar year or any calendar year after the third year of the Term or Renewal Term, the Grantor or Grantee is not exempt from paying real property taxes associated with the Lands, despite having made reasonable efforts to obtain such exemptions from the relevant authorities having jurisdiction to grant or apply real property tax exemptions then, at the option of the Grantee, the parties agree to convert this Licence of Occupation to a lease for the remainder of the Term and Renewal Term and each party must use reasonable efforts to apply to the relevant authorities having jurisdiction to grant or apply real property tax exemptions in accordance with the applicable legislation for each year of the Term or Renewal Term or any portion thereof permitted by law following the end of the first two years of the Term .
- 6.5 Despite sections 6.4, if, in the third calendar year or any calendar year after the third calendar year of the Term or Renewal Term, the Grantor or Grantee is not exempt from paying real property taxes associated with the Lands, despite

having made reasonable efforts to obtain such exemptions from the relevant authorities having jurisdiction to grant or apply real property tax exemptions then, at the option of the Grantor this Licence shall remain as a Licence of Occupation for the remainder of the Term and Renewal Term and the Grantor shall pay all and any real property taxes associated with the Lands, including the Regional Trail portion of the Lands.

- 6.6 In the event that circumstances under paragraph 6.4 occur, the Grantee will apply for a tax exemption in relation to the Regional Trail portion of the Lands and the Grantor will apply for a tax exemption in relation to the portion of the Lands excepting the Regional Trail portion.
- 6.7 If, in the third calendar year or any calendar year after the third calendar year of the Term or Renewal Term, the Grantor or Grantee is not exempt from paying real property taxes associated with the Lands, despite having made reasonable efforts to obtain such exemptions from the relevant authorities having jurisdiction to grant or apply real property tax exemptions then, the parties agree that the Grantee shall pay the real property taxes associated with the Lands or a portion of the Lands for which exemptions or grants have not been obtained.
- 6.8 The Grantee will not be responsible to pay real property taxes related to future Third Party licencees or lessees that may be granted rights by the Grantor to use the Lands, including rights granted under or over the Regional Trail area of the Lands.
- 6.9 In the event that the Grantee pays a licence fee to the Grantor under paragraphs 6.2, 6.3, or 6.7, the Grantee is not responsible to pay any real property taxes associated with the Lands, including the Regional Trail portion of the Lands and the Grantor shall pay the real property taxes for the applicable calendar year or years.
- 6.10 The parties agree that no further fees or charges whatsoever shall be owing from the Grantee to the Grantor in consideration of the Grantee's rights under this Agreement.

7.0 TERM

- 7.1 The term of the licence granted under this Agreement shall be the 1st day of September, 2007 to the 31st day of August, 2032 (the "**Term**"), with a right to renew for a further twenty-five (25) year term (the "**Renewal Term**"), unless earlier terminated pursuant to this Agreement.

8.0 GRANTEE'S COVENANTS

- 8.1 For the purposes of this paragraph:

- (a) **"Plans and Specifications"** means the design drawings and specifications created for each phase of the Regional Trail construction:
- (i) containing the construction specifications of the Regional Trail including its width, depth, and the material which will be used in its construction;
 - (ii) showing the location of the Regional Trail on the Lands; and
 - (iii) containing any requirements of the Grantor reasonably required during the construction, maintenance, repair, relocation or removal of the Regional Trail for the protection of its property or railway operation;

reduced copies of which shall be deemed to form part of this Licence and be attached hereto as Schedule "C" upon written agreement of the parties.

8.2 The Grantee covenants and agrees to and with the Grantor that the Grantee:

- (a) may, in accordance with the Plans and Specifications approved by the Grantor in writing, construct a Regional Trail and if constructed, shall maintain or cause to be maintained, the Regional Trail in a good and workmanlike manner in order to cause no unnecessary damage or disturbance to the Grantor or the Lands;
- (b) shall insofar as it is practical, carry out construction, if it does, of the Regional Trail so as not to adversely affect the drainage of the Lands and to not redirect or increase the quality or velocity of surface water runoff or any streams into the Grantor's drainage system or upon the railway tracks or other lands and facilities of the Grantor;
- (c) shall keep and maintain at its cost and expense the Regional Trail and all its parts in good order and condition and in a structurally sound manner such that the existence and use of the Regional Trail shall not interfere with the Grantor's use of its Lands and its railway operations on the Lands; and to do all repairs in all respects to a standard at least equal in quality of material and workmanship to the original material and work;
- (d) shall remove and discharge or cause to be removed or discharged promptly at its cost and expense any lien, encumbrance or charge upon the Lands which arises out of the use of the Lands under this Licence by the Grantee or by reason of labour or material furnished or claimed to have been furnished for any construction maintenance or repair of the Regional Trail;
- (e) shall prior to the Regional Trail being made accessible to members of the

public, erect, and maintain fencing, railings or guard rails, and "no trespassing" and other public safety signs, such fencing, railings, guard rails and signs to be subject to prior written approval of the Grantor; and

- (f) shall repair, at its sole risk and expense, any damage done to the track, the ballast or to any property of the Grantor by the operation, maintenance, repair, relocation or removal of the Regional Trail or any part thereof

9.0 RELEASE AND INDEMNITY

9.1 The Grantee:

- (a) shall make no claim or demand against the Grantor or any of the Grantor's employees, representatives or agents, for any injury, loss or damage, including injury resulting in death, loss of or damage to property suffered or sustained by the Grantee or the Grantee's employees, representatives, agents or invitees, caused by or arising out of the Grantee's failure to:
 - (i) maintain fencing, railings, guard rails and "no trespassing" and other warning signs on the Lands in accordance with the provisions of section 8.2(e) above, and
 - (ii) follow its maintenance and inspection policies in connection with the maintenance and operation of a Regional Trail.

unless such injury, loss or damage is caused by or arises out of the negligence or wrongful act or omission of the Grantor or the Grantor's employees, representatives licensees, tenants or agents or a railway operation malfunction or accident not caused by the Grantor's negligence;

- (b) shall indemnify and save harmless the Grantor from and against any and all claims, demands, awards, actions, proceedings and judgments by whomsoever made, brought or prosecuted (collectively "**Claims**"), and from and against any and all injury, loss, damage, costs or expense (collectively "**Damages**") suffered or incurred by the Grantor, the Grantor's employees, representatives, licensees, agents, tenants or invitees entering upon the Lands, and which are based upon, arise out of or are connected directly or indirectly with this Agreement or anything done hereunder or anything not done as required hereunder, unless such Claims or Damages are caused by or arise out of the negligence or the wrongful act or omission of the Grantor or the Grantor's employees, representatives licencees, tenants, invitees or agents.

10.0 INSURANCE

- 10.1 The Grantee is a public body and is self insured for claims up to and including two million dollars. In the event the Grantee ceases to be a self insured public body during the Term or Renewal Term of this Agreement, the Grantee will maintain at its sole cost and expense, in good standing for the Term or Renewal Term (or any extension thereof), liability insurance against the third party claims arising from the operation and use of the License Area with inclusive limits of not less than Two Million (\$2,000,000.00) Dollars for bodily injury, including death and property damage, and in that event, the Grantee will, on request from the Grantor, provide the Grantor with evidence that such insurance is, at all times during the Term or Renewal Term (or any extension thereof), enforceable and in effect.

11.0 TERMINATION

- 11.1 Except as hereinafter provided, upon breach by the Grantee of any of the provisions herein contained which breach is not remedied by the Grantee within sixty (60) days from the date of registered notice thereof mailed by the Grantor to the Grantee, the Grantor may bring a claim for damages or avail itself of any other remedy which it may have without further notice; or terminate this Agreement, if the breach continues for one hundred and twenty (120) days after written notice from the Grantor to the Grantee of its intention to terminate this Agreement, provided always that if the Grantee commences to remedy the breach within sixty (60) days of receipt of notice aforesaid and thereafter diligently and continuously proceeds with the remedial action, the Grantor shall not bring any claim or exercise any other remedies which it may have in respect of such breach.

12.0 NO ASSIGNMENT

- 12.1 The Grantee covenants and agrees to and with the Grantor that the Grantee shall not assign or sublet the right granted herein without the written consent of the Grantor.

13.0 COMPLIANCE WITH LAW

- 13.1 The Grantee shall abide by and comply with all the lawful bylaws, rules and regulations of the Province of British Columbia, every municipality or other lawful authority which in any manner relate to or affect the Lands and the right hereby granted insofar as the Grantee is subject hereto.

14.0 OWNERSHIP OF IMPROVEMENTS

- 14.1 Notwithstanding any rule of law or equity any Regional Trail improvements brought onto, laid or erected upon or buried under the Lands by the Grantee shall remain the property of the Grantee, and during the Term or Renewal Term of this Agreement the Grantee shall have the right at any time and from time to time to remove in whole or in part its Regional Trail.

15.0 REGISTERED INSTRUMENT

- 15.1 In the event that the Grantor intends to transfer or lease its Lands, the Grantor agrees to advise the prospective purchaser or Leasee of this Licence of Occupation and the Grantor agrees to register against title to the Lands a Lease in substantially the same terms as this Agreement for the remainder of the Term or Renewal Term for the purpose of a Regional Trail in favour of the Grantee in advance of the transfer or the leasing occurring. Further, the Grantor agrees to notify the Grantee in the event that the Grantor learns of any proceedings against it which may result in the Grantor losing its interest in the Lands and will, where possible, grant to the Grantee a Lease in substantially the same terms as this Agreement for the remainder of the Term or Renewal Term over its Lands for the purposes of the Regional Trail.

16.0 GENERAL PROVISIONS

- 16.1 Notices: It is hereby mutually agreed:

Any notice required to be given under this Agreement shall be deemed to be sufficiently given:

- (a) to be delivered at the time of delivery and
- (b) if mailed from any government post office in the Province of British Columbia by prepaid registered mail addressed as follows:

- (i) if to the Grantor:

Island Corridor Foundation
320 - 256 Wallace Drive
Nanaimo, B.C. V9R 5B3

- (ii) if to the Grantee:

Capital Regional District
P.O. Box 1000
Victoria, B.C. V8W 2S6

and any such notice shall be deemed to have been given to and received by the addressee on the date of personal delivery or three (3) days after the mailing thereof, postage prepaid and registered, as the case may be. Any party may at any time and from time to time notify the other in writing as to a change of address and the new address to which notices shall be given to it until further changed.

- 16.2 Removal Upon Termination of Agreement: The Regional Trail placed, erected or built on the Lands at the expense of the Grantee will if required by the Grantor, be removed from the Lands by the Grantee within sixty (60) days after termination or surrender of this Agreement and the Grantee will leave the Lands neat, clean, level, free and clear of all waste material, debris and rubbish all to the satisfaction of the Grantor. The Grantee covenants that if it is required to remove the Regional Trail it will make good all damage caused to the property of the Grantor by reason of such removal and if such Regional Trail is not so removed by the Grantee and the Lands not left neat, clean, level, free and clear of all waste material, including landscaping and trees, debris and rubbish as aforesaid within the said period of sixty (60) days, the Grantor may carry out such work and the Grantee will pay to the Grantor all costs and expenses reasonably incurred in so doing. In the event that the Grantor determines that the continued presence of the Regional Trail does not constitute a hazard of interference with the rail operations of the Grantor, then the Grantee may abandon the Regional Trail in place, in which case it will become the Grantor's unencumbered property.
- 16.3 Grantee's Right Non-Exclusive: The Grantee agrees that its right to use the Lands pursuant to this Agreement is non-exclusive and acknowledges that the Grantor has in the past, and may in the future, enter into agreements with other persons ("**Third Parties**") to occupy and use the Lands for any and all additional purposes, for communication purposes, for the installation of utilities and cables (below and above ground), for landscaping, and for vehicular use and driveways, and that such Third Parties may be permitted to occupy portions of the Lands provided that all such uses shall not create hazards or unreasonably interfere with or prohibit the use of the Lands by the Grantee, its elected official officers, employees, contractors, licensees, agents and members of the public as contemplated under this Agreement.
- 16.4 Temporary or Permanent Relocation to Accommodate Third-Party Uses: If the Grantor enters into agreements with Third Parties to occupy and use the Lands and requests that the Grantee relocate temporarily or permanently all or part of the Regional Trail, such temporary or permanent relocation will be at the cost of the Grantor, and only if the design requirements of the Regional Trail can be met and the continuity of the Regional Trail preserved.
- 16.5 Third Party Indemnity: If the Grantor enters into agreements with Third Parties to occupy and use the Regional Trail or a portion of the Regional Trail, the Grantor

agrees to require that the Third Parties indemnify the Grantee in the Agreements from claims, demands, suits, actions, awards, proceedings and judgments arising from the Third Parties' use of the Regional Trail.

- 16.6 Gender and Construction: Wherever the singular or masculine is used in this Agreement the same shall be deemed to include the plural or the feminine, or the body politic or corporate, also the heirs, executors, administrators, successors and assigns of the parties hereto and each of them (where the context or the parties so require).
- 16.7 Time of Essence: Time is to be the essence of this Agreement.
- 16.8 Enurement: This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective heirs, administrators, executors, successors, and permitted assignees.
- 16.9 Waiver: The waiver by a party of any failure on the part of the other party to perform in accordance with any of the terms or conditions of this Agreement is not to be construed as a waiver of any future or continuing failure, whether similar or dissimilar.
- 16.10 Headings: The headings in this Agreement are inserted for convenience and reference only and in no way define, limit or enlarge the scope or meaning of this Agreement or any provision of it.
- 16.11 Remedies Cumulative: No remedy under this Agreement is to be deemed exclusive but will, where possible, be cumulative with all other remedies at law or in equity.
- 16.12 Applicable Law: This Agreement is to be construed in accordance with and governed by the laws applicable in the Province of British Columbia.
- 16.13 No Partnership, Etc.: No provision of this Agreement shall be construed to create a partnership or joint venture relationship, an employer-employee relationship, a landlord-tenant, or a principal-agent relationship.
- 16.14 Amendments: This Agreement may not be modified or amended except by the written agreement of the parties.
- 16.15 Entire Agreement: This Agreement contains the entire agreement and understanding of the parties with respect to the matters contemplated by this Agreement and supersedes all prior and contemporaneous agreements between them with respect to such matters.
- 16.16 Survival of Representations: All representations and warranties set forth in this Agreement and all provisions of this Agreement, the full performance of which is

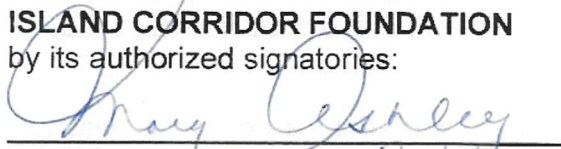
not required prior to a termination of this Agreement, shall survive any such termination and be fully enforceable thereafter.


- 16.17 Notification of Violation: Each party shall promptly notify the other party of any matter which is likely to continue or give rise to a violation of its obligations under this Agreement.
- 16.18 Whole Agreement: The whole agreement between the parties is set forth in this document and no representations, warranties or conditions, express or implied, have been made other than those expressed.
- 16.19 Severability: Each article of this Agreement shall be severable. If any provision of this Agreement is held to be illegal or invalid by a Court of competent jurisdiction, the provision may be severed and the illegality or invalidity shall not affect the validity of the remainder of this Agreement.
- 16.20 Counterparts: This Agreement may be executed in counterpart with the same effect as if both parties had signed the same document. Each counterpart shall be deemed to be an original. All counterparts shall be construed together and shall constitute one and the same Agreement.

IN WITNESS WHEREOF the parties hereto have set their hands and seals as of the day and year first above written.

ISLAND CORRIDOR FOUNDATION

by its authorized signatories:


Print Name: Mary Ashley


Print Name: Julie Sanders

CAPITAL REGIONAL DISTRICT by its
authorized signatories:


Name: Denise Blackwell


Name: Carmen Thiel

Schedule "A"
E&N Rail Trail Lands

<u>PID</u>	<u>LEGAL DESCRIPTION</u>
002-702-274	Lot 1 Section 31, Esquimalt District Plan 26496
008-943-842	Lot 48, Section 31, Esquimalt District Plan 549
008-944-415	Lot 45, Section 31, Esquimalt District Plan 549
008-943-923	Lot 49, Section 31, Esquimalt District Plan 549
008-943-991	Lot 50, Section 31, Esquimalt District Plan 549
008-944-083	Lot 51, Section 31, Esquimalt District Plan 549
024-108-600	Lot A Section 31 and 32, Esquimalt District Plan VIP66608
024-019-721	Lot A Sections 10 and 11, Esquimalt District Plan VIP66612
023-795-212	Lot A Section 2, Esquimalt District Plan VIP65446
025-582-089	Lot A Section 25, Esquimalt District Plan VIP74823
024-039-209	Lot A Section 2, Esquimalt District Plan VIP66686
024-635-987	Lot 1 Sections 8 and 27, Esquimalt District Plan VIP69799
024-036-021	Lot A Sections 3, 8, 27 and 92 Esquimalt District Plan VIP66676
011-825-871	Lot 1 Section 94, Esquimalt District Plan 47098 except Part in Plan 47099
024-839-957	Lot A of Sections 12, 13, 24 and 95, Esquimalt District Plan VIP71024
023-005-459	Lot 1 Sections 6, 97 and 103, Esquimalt District Plan VIP60330 Plan of Statutory Right of Way Through Part of Section 98, Esquimalt District (as yet unregistered)
024-135-402	Lot 1, Section 105, Esquimalt District Plan VIP67118
006-389-538	Lot 35, Section 1, Esquimalt District Plan 2574
023-825-600	Lot A, Section 72, Esquimalt District Plan VIP65130
024-749-478	Lot 1, Section 5, Esquimalt District Plan VIP70605
009-019-898	Lot 2, Section 73, Esquimalt District Plan 45768
023-825-502	Lot A, Sections 79, 80, 86 and 87, Esquimalt District Plan VIP65129
023-795-166	Lot A, Section 1, 2, 4 and 5, Goldstream District Plan VIP65123

- 15 -

Schedule "C"
Plans and Specifications

(To be attached pursuant to section 8.1 upon written agreement of the Parties)



Financial Statements

Island Corridor Foundation

December 31, 2024

Island Corridor Foundation

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Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-17



Independent Practitioner's Review Engagement Report

Doane Grant Thornton LLP

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To the Members of the Island Corridor Foundation

We have reviewed the accompanying financial statements of Island Corridor Foundation that comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for qualified conclusion

The Foundation's tangible capital assets include \$12,330,591 of track which is no longer in use and for which \$2,016,355 of amortization expense has been recorded for the year ended December 31, 2024. Conditions indicate that the track assets may be impaired, requiring that the net carrying amount of tangible capital assets be written down to the assets' fair value or replacement cost. Management has not prepared an analysis of this impairment which constitutes a departure from ASNPO. We were unable to evaluate the impact of the possible impairment and related amortization adjustments on tangible capital assets as at December 31, 2024, net assets as at January 1, 2024 and December 31, 2024, amortization expense, impairment and deficiency of revenue over expenses for the year ended December 31, 2024 as



management has not prepared the required estimates. Consequently, we were unable to perform the procedures we considered necessary.

Material uncertainty related to going concern

Without modifying our conclusion, we draw attention to Note 2 in the financial statements, which indicates that the Foundation incurred a net loss of \$2,780,767 during the year ended December 31, 2024, and uncertainty exists with respect to the Foundation's ability to obtain future funding to meet one of its' mandates of continuing to develop railway assets. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Foundation's ability to continue as a going concern.

Restated comparative information

We draw attention to Note 3 of the financial statements, which explains that certain comparative information for the year ended December 31, 2023, has been restated. The financial statements of Island Corridor Foundation for the year ended December 31, 2023 (prior to the restatement of comparative information described in Note 3 to the financial statements) were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on May 28, 2024. Our conclusion is not modified in respect of this matter.

Nanaimo, Canada
June 4, 2025

A handwritten signature in black ink that reads "Doane Grant Thornton LLP".

Chartered Professional Accountants

Island Corridor Foundation

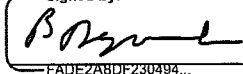
Statement of Financial Position

As at December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Assets				
Current				
Cash and cash equivalents (Note 5)	\$ 567,597	\$ -	\$ 567,597	\$ 641,309
Accounts receivable	145,934	-	145,934	146,973
Current portion of loan receivable (Note 6)	15,739	-	15,739	14,950
Prepaid expenses	16,735	-	16,735	7,664
Interfund receivable (payable) (Note 14)	(21,101)	21,101	-	-
	724,904	21,101	746,005	810,896
Long term				
Loan receivable (Note 6)	51,672	-	51,672	67,285
Deferred leasing costs (Note 7)	4,753	-	4,753	6,983
Tangible capital assets (Note 8)	-	303,592,693	303,592,693	307,078,506
	\$ 781,329	\$ 303,613,794	\$ 304,395,123	\$ 307,963,671
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 16)	\$ 145,759	\$ -	\$ 145,759	\$ 221,807
Callable debt (Note 10)	-	538,837	538,837	627,478
Current portion of long term debt (Note 9)	21,000	-	21,000	24,000
Deferred revenue (Note 17)	113,437	-	113,437	628,229
GST payable	4,829	-	4,829	3,284
Accrued interest payable (Note 9 & 10)	62,710	3,036	65,746	66,782
	347,735	541,873	889,608	1,571,579
Long term				
Long term debt (Note 9)	-	-	-	21,000
Deferred revenue (Note 17)	8,694	-	8,694	9,781
	356,429	541,873	898,302	1,602,360
Net Assets				
Capital fund	-	303,071,922	303,071,922	306,468,057
Operating fund	424,899	-	424,899	(106,746)
	424,899	303,071,922	303,496,820	306,361,311
	\$ 781,329	\$ 303,613,794	\$ 304,395,123	\$ 307,963,671

On behalf of the board

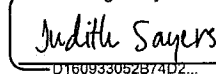
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Director

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Director

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See accompanying notes to the financial statements

Island Corridor Foundation

Statement of Operations

Year Ended December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Revenue				
Crossings, leases and fees	\$ 389,017	\$ -	\$ 389,017	\$ 369,652
Donations and grants (Note 11)	566,053	-	566,053	483,508
Interest	14,261	-	14,261	5,321
Project management	225,201	-	225,201	-
Rental income	131,840	-	131,840	164,433
	<u>1,326,371</u>	<u>-</u>	<u>1,326,371</u>	<u>1,022,913</u>
Expenditures				
Advertising and promotion	28,670	-	28,670	19,772
Board expenses	30,119	-	30,119	21,976
Communicators	13,981	-	13,981	8,986
Consulting fees and engineering	23,171	-	23,171	36,220
Insurance	52,144	-	52,144	48,356
Interest and bank charges	5,255	-	5,255	7,655
Legal fees (Note 14)	211,732	-	211,732	168,359
Management and administration services	-	-	-	18,000
Office	16,416	-	16,416	3,083
Professional fees	21,799	-	21,799	19,005
Project fees	173,895	-	173,895	-
Property taxes	(7,029)	-	(7,029)	1,254
Public relations	443	-	443	1,214
Rental property	76,376	-	76,376	107,710
Repairs and maintenance	114,461	-	114,461	145,426
Shared vision expenses	45,742	-	45,742	-
Travel	4,057	-	4,057	3,833
Utilities	17,854	-	17,854	18,954
Wages and benefits	373,774	-	373,774	280,100
	<u>1,202,860</u>	<u>-</u>	<u>1,202,860</u>	<u>909,903</u>
Excess (deficiency) of revenue over expenses before the undernoted	123,512	-	123,512	113,012
Amortization	-	3,488,002	3,488,002	3,488,102
Reversion of land	-	-	-	1,424,588
Income received on covenant	500,000	-	500,000	-
	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	\$ 623,512	\$ (3,488,002)	\$ (2,864,491)	\$ (4,799,679)

Island Corridor Foundation

Statement of Changes in Net Assets

Year Ended December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Balance, beginning of year				
As previously stated	\$ (106,746)	\$ 307,892,645	\$ 307,785,899	\$ 311,160,990
Prior period adjustment	<u>-</u>	<u>(1,424,588)</u>	<u>(1,424,589)</u>	
As restated	(106,746)	306,468,057	306,361,311	311,160,990
Excess (deficiency) of revenues over expenditures	623,512	(3,488,002)	(2,864,491)	(4,799,679)
Interfund loans and repayment of debt	<u>(91,867)</u>	<u>91,867</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>424,899</u>	\$ <u>303,071,922</u>	\$ <u>303,496,820</u>	\$ <u>306,361,311</u>

See accompanying notes to the financial statements

Island Corridor Foundation

Statement of Cash Flows

Year Ended December 31

	2024	2023 (as restated Note 3)
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenditures	\$ (2,864,491)	\$ (4,799,679)
Items not affecting cash		
Amortization	3,488,002	3,488,102
Reversion of land	-	1,424,588
	<u>623,512</u>	<u>113,011</u>
Change in non-cash working capital items		
Accounts receivable	1,039	(28,714)
Prepaid expenses	(9,071)	7,459
Accounts payable and accrued liabilities	(76,048)	153,716
Accrued interest payable	(1,035)	165
Deferred leasing costs	2,230	2,230
Deferred revenue	(515,879)	463,345
GST payable	1,545	(183)
	<u>26,292</u>	<u>711,028</u>
Investing		
Loan receivable	14,824	(82,235)
Purchase of tangible capital assets	(2,189)	(9,199)
	<u></u>	<u></u>
Financing		
Callable debt	(88,641)	(54,923)
Repayment of long term debt	(24,000)	(28,000)
	<u></u>	<u></u>
Net (decrease) increase in cash	(73,712)	536,672
Cash and cash equivalents, beginning of year	<u>641,309</u>	<u>104,637</u>
Cash and cash equivalents, end of year	\$ <u>567,597</u>	\$ <u>641,309</u>

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

1. Nature of operations

Island Corridor Foundation ("the Foundation") was incorporated under the laws of the Government of Canada on January 1, 2004, and was continued under the Canada Not-for-Profit Corporations Act. As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act and able to issue donation receipts for income tax purposes. In order to maintain the status of a charitable organization under the Act, the Foundation must meet certain requirements within the Act, which, in the opinion of the management, have been met.

The Foundation's primary purposes are to preserve the use of the corridor in perpetuity for the connection and the benefit for all Island communities and First Nations along the corridor; to preserve historical landmarks; to create trails, parks and other public areas; to preserve and develop the assets on the Island Corridor and to contribute to rail services along the rail corridor. The members of the Foundation are twelve First Nations and five Regional Districts. They assumed ownership of the 289-kilometre rail corridor in 2006 on behalf of communities of Vancouver Island.

2. Going concern

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which contemplate the continuation of the Foundation as a going concern including the realization of assets and the settlement of liabilities in the ordinary course of operations. However, certain conditions may cast significant doubt on the validity of this assumption.

The ability of the Foundation to meet one of its mandates of continuing to develop the railway assets located on the Island Corridor including certain tracks and bridges is dependent on the Foundation's ability to retain the commitment of a railway provider and to obtain grant funding to repair the bridges and tracks.

The Foundation has a Strategic Priorities & Operation Plan which outlines the Foundation's Key Focus Areas including multi-infrastructure plan for Rail. The Foundation remains optimistic regarding long-term upgrades and, in conjunction with Southern Railway of Vancouver Island (SVI), have identified and costed a series of Phase 1 rail infrastructure options that may be pursued.

The Foundation continues to maintain its infrastructure and pursue new property lease agreements and park developments as it awaits further funding deliberations by the BC government.

The Foundation has incurred a net loss of \$2,864,491 (2023 - \$4,799,679) which includes amortization of \$3,488,002 (2023 - \$3,488,102) for the year ended December 31, 2024.

As further described in Note 14, the Foundation is involved in 8 lawsuits due to the condition and impairment of the Island Rail Corridor infrastructure from ties and track to grade crossings and bridges. The possible outcome of these lawsuits is not determinable at year end, management has assessed that insurance coverage is available for all but two of the lawsuits. No provision has been made in the financial statements for these claims.

These financial statements do not reflect the adjustments to the carrying amounts of reported assets and liabilities, revenues and expenses and balance sheet classifications which might be necessary should the going concern assumption not be appropriate. Such adjustments could be material.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

3. Restatement of prior years figures

During the period it was determined that certain adjustments were required to the December 31, 2023 comparative figures due to the return of land to the Snaw-Naw-As First Nation which was not previously reflected in the financial statements.

As a result of the correction, the following financial statement items as at and for the year ended December 31, 2023 have been increased (decreased) as follows:

	Previously reported	Error Correction	As restated
Statement of Financial Position			
As at December 31, 2023			
Tangible Capital Assets	\$ 308,503,094	\$ (1,424,588)	\$ 307,078,506
Capital Fund	307,892,645	(1,424,588)	306,468,057
Statement of Operations			
Year ended December 31, 2023			
Reversion of land	-	(1,424,588)	(1,424,588)
Excess (deficiency) of revenue over expenses	(3,375,091)	(1,424,588)	(4,799,679)
Statement of Changes in Net Assets			
Year ended December 31, 2023			
Capital Fund (closing)	\$ 307,892,645	\$ (1,424,588)	\$ 306,468,057

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Fund accounting

The Foundation uses the restricted fund method of accounting for contributions and maintains two funds - Operating Fund and Capital Fund.

The Operating Fund accounts for assets, liabilities, revenues and expenses related to the Foundation's program delivery in the preservation of the corridor and its administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to Island Corridor Foundation's tangible capital assets, including acquisitions and disposals and debt commitments.

Revenue recognition

Grant revenue is recognized over the period that the service is performed, as specified by the grantor. If not specified in a grant agreement, the funds are recorded as revenue in the period received or receivable if collection is reasonably assured.

Interest revenue is recognized when earned. Revenue from crossing departments and lease agreements is recognized over the term of the agreement.

Restricted contributions with a corresponding restricted fund are recognized as revenue of the appropriate restricted fund in the year received. Restricted contributions for which no corresponding restricted fund is presented are recorded in the Operating Fund and recognized as revenue in the year the related expenses are incurred.

Unrestricted donations are recognized as revenue in the Operating Fund in the year received or receivable if collection can be reasonably assured.

Rental income under a lease is recognized in revenue on a straight-line basis over the term of the lease. Any difference between revenue recognized and the total rents receivable under the lease is included in accounts receivable and deferred revenue as straight-line rent receivable.

File opening fees for crossing agreements are recorded when an agreement is in place and their collectability is reasonably assured.

Project management revenue is recognized as services are rendered. Amounts received from customers in advance of services being rendered are classified as customer deposits.

Island Corridor Foundation Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Contributed services and materials

Contributions of services and materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the services and materials are used in the normal course of the Foundation's operations and would otherwise have been purchased.

Financial Instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts receivable
- Accounts payable and accrued liabilities
- Callable debt
- Long-term debt
- Loan receivable
- Accrued interest payable

Financial instruments in arm's length transactions

Initial measurement

The Foundation initially measures financial assets and financial liabilities originating, acquired, issued or assumed in arm's length transactions at fair value.

Subsequent measurement

The Foundation subsequently measures all its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment.

Derecognition

The Foundation removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial instruments in related party transactions

Initial measurement

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of the following instruments which are initially measured at fair value: investments in equity instruments that are quoted in an active market, debt instruments that are quoted in an active market, debt instruments when the inputs significant to the determination of the fair value of the instrument are observable, and derivative contracts.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Subsequent measurement

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value are subsequently measured at amortized cost, except for the following instruments which are subsequently measured at fair value: investments in equity instruments that are quoted in an active market, most derivative contracts, and certain debt instruments which the Organization may irrevocably elect to measure at fair value. Changes in fair value are recognized in net income.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each reporting date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically, and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include collectability of accounts receivable, the useful life of tangible capital assets, amounts of accrued liabilities and provision for contingencies.

Tangible capital assets

Tangible capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset.

Island Corridor Foundation
Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

The following rates applied using the straight-line method will apply over the estimated useful lives of tangible capital assets:

	<u>Rates</u>
Railway stations	20 years
Equipment	5 years
Fences	10 years
Track	21.5-27 years
Railway signals	8.8 years
Culverts	20 years
Bridges and tunnels	40 years

Impairment of long-lived assets

The Foundation tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, deposits held on call with banks, and other short-term highly liquid investments which are readily convertible to known amounts of cash. The Foundation considers securities with original maturities of three months or less to be readily convertible to known amounts of cash.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 76,185	\$ 165,988
Redeemable term deposits	<u>491,412</u>	<u>475,321</u>
	<u>\$ 567,597</u>	<u>\$ 641,309</u>

The term deposits earned interest at 2.75%-3.15% (2023 – 4.75%), and mature in May and October, of 2025.

Island Corridor Foundation Notes to the Financial Statements

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6. Loan receivable

	2024	2023
Loan receivable from 1338415 B.C. Ltd bearing interest at 6% per annum with monthly installments of \$1,613. The loan matures on December 1, 2028 and is unsecured.	\$ 67,411	\$ 82,235
Less principal due in one year	(15,739)	(14,950)
	<u>\$ 51,672</u>	<u>\$ 67,285</u>

7. Deferred leasing costs

Deferred leasing costs include commissions paid to Pemberton Homes Ltd for acquiring a tenant for the Nanaimo Train Station. The amount is amortized over the life of the related lease, the balance as at December 31, 2024, was \$4,753 (2023 - \$6,983).

8. Tangible capital assets

			2024	2023 (as restated - Note 3)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 273,046,040	-	\$ 273,046,040	\$ 273,046,040
Bridges and tunnels	29,630,124	(13,981,693)	15,648,431	16,389,184
Track - not in use	50,901,904	(38,571,312)	12,330,591	14,346,946
Track	4,782,419	(3,573,936)	1,208,483	1,385,432
Railway stations	3,039,251	(2,163,067)	876,184	1,027,917
Culverts	7,872,370	(7,427,541)	444,829	838,447
Fences	34,556	(12,096)	22,460	25,916
Equipment	44,467	(30,045)	14,422	18,027
Computer equipment	6,718	(5,464)	1,254	598
Railway signals	5,723,000	(5,723,000)	-	-
	<u>\$ 375,080,846</u>	<u>\$ (71,488,153)</u>	<u>\$ 303,592,693</u>	<u>\$ 307,078,506</u>

Island Corridor Foundation Notes to the Financial Statements

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9. Long term debt

	<u>2024</u>	<u>2023</u>
Southern Railway of Vancouver Island (SVI) loan bearing interest at prime plus 1% per annum, repayable annually by \$24,000 plus interest. The loan is secured by promissory note and a second charge over all of the Foundation's assets	\$ 21,000	\$ 45,000
Less principal due in one year	<u>(21,000)</u>	<u>(24,000)</u>
	<u>\$ -</u>	<u>\$ 21,000</u>

On October 1, 2018, the Foundation signed an Operations Agreement with the first extension term commencing on October 13, 2023, and expiring on September 30, 2024, and up to 4 additional one-year terms. Under the terms of the agreement, SVI will pay a license fee to the Foundation of \$2,000 per month and the Foundation will pay monthly loan payments of \$2,000 to SVI. As long as the Foundation pays the monthly payments, SVI has agreed to grant a waiver of interest on the remaining principal amount of the loan. Included in the interest payable is \$62,710 (2023 - \$62,710) related to long term debt.

10. Callable debt

	<u>2024</u>	<u>2023</u>
CIBC non-revolving installment loan bearing interest at prime rate plus 1% per annum, repayable in monthly blended payments of \$7,500. The loan matures on December 31, 2031 and is secured by an agreement granting first security interest over chattel owned by the Foundation, registered assignment of rents and a \$1.1 million registered first charge over the Nanaimo Train Station property. The net book value of Nanaimo Train Station Building is \$810,587	\$ 538,837	\$ 584,166
CIBC non-revolving installment loan, bearing interest at prime plus 2% per annum, repayable in monthly blended payments of \$1,425. The loan matures on July 22, 2026 and is secured by an agreement granting first security in all property owned by the Foundation	-	43,312
	<u>\$ 538,837</u>	<u>\$ 627,478.00</u>

Island Corridor Foundation Notes to the Financial Statements

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10. Callable debt (continued)

Principal repayments terms are approximate, assuming the loan continues under the same terms, are as follows :

2026	53,571
2027	57,562
2028	61,850
2029	66,458
	<u>289,298</u>
	\$ <u>289,298</u>

Included in accrued interest payable is \$3,036 (2023 - \$4,072) relating to callable debt.

11. Donations and grants

	<u>2024</u>	<u>2023</u>
Canadian Pacific Railway	403,778	386,607
Shared Vision Project - Multiple Funders	152,000	-
Other	10,275	444
Province of British Columbia	-	96,457
	<u>\$ 566,053</u>	<u>\$ 483,508</u>

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its accounts receivable and loan receivable. The entity provides credit to its clients in the normal course of its operations. There was no significant change in exposure from the prior year.

b) Liquidity risk

Liquidity risk arises from the possibility that the Foundation might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. The Foundation is exposed to this risk in respect to its receipt of funds from its customers and other related resources, callable debt, long-term debt, and accounts payable and accrued liabilities. Cash flows from operations provide sufficient cash flows for operating.

Island Corridor Foundation Notes to the Financial Statements

December 31, 2024

12. Financial instruments (continued)

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rate.

(i) To the extent that prevailing market interest rates differ from the interest rate on the Foundation's monetary assets and liabilities.

(ii) To the extent that payments made or received on the Foundation's monetary assets and liabilities are affected by changes in prevailing market interest rates.

The Foundation is exposed to interest rate risk on its term deposits, rate variable callable debt and long-term debt. The term deposits are ordinary guaranteed investment certificates ("GIC") which are non-transferable which mitigates interest rate risk. Management does not believe that the Foundation is exposed to significant interest rate risk on callable debt and long-term debt.

13. Economic dependence

The continuing operation of the Foundation is dependent upon the continued support of the Canadian Pacific Railway. The amount received is based on an agreement regarding payments from Telus to the Canadian Pacific Railway and then donated to the Foundation regarding land use for Fibre Optic Cable and represents one of the Foundation's primary sources of revenue. The annual donation received was \$403,778 (2023 - \$386,607).

14. Contingencies

The Foundation is involved in lawsuits due to the condition and impairment of the Island Rail Corridor infrastructure from ties and track to grade crossings and bridges. At the end of the year the Foundation is aware of seven lawsuits where they are named as the defendant and one lawsuit in which they are the plaintiff. These lawsuits relate to various matters associated with land reversion, reclamation of land previously returned and damage to the Foundation's property. Of these lawsuits two would not be covered by insurance if successful. The possible outcomes or any settlements are not determinable at year-end. No provision has been made in the financial statements for these claims. Included in legal expenses is \$87,839 (2023 - \$41,546) related to these claims.

15. Interfund transfers

During the year the Foundation transferred \$nil (2023 - \$21,101) from the operating fund to the capital fund.

16. Government remittances

Included in accounts payable and accrued liabilities are \$14,199 (2023 - \$9,092) of government remittances.

Island Corridor Foundation Notes to the Financial Statements

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17. Deferred revenue

Included in the balance of deferred revenue as at December 31, 2024, was \$45,183 (2023 - \$473,543) from the Ministry of Transportation. The funds are to be used in subsequent years to pay for the maintenance and report of the Corridor. The remaining balance represents prepaid lease payments.

18. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.
