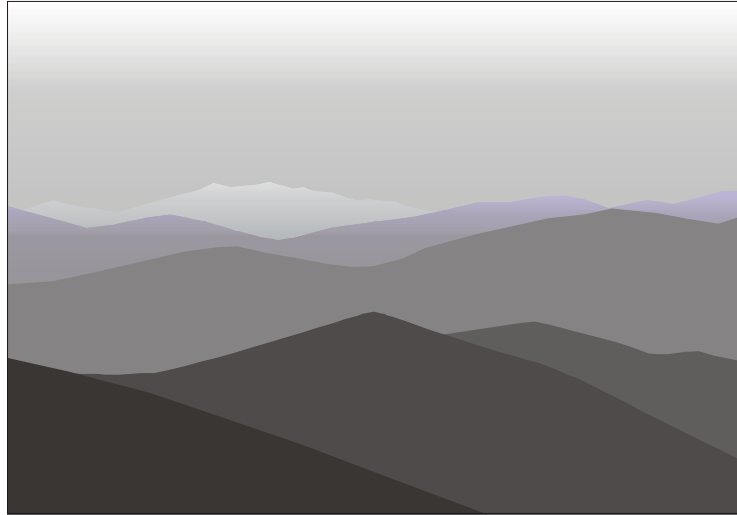


The Coast Sustainability Trust



2003 Annual Report

**Trustee
Eric van Soeren**

The Honourable George Abbott

Minister of Sustainable Resource Management

Province of British Columbia

Sir:

I am pleased to submit my report of the activities of The Coast Sustainability Trust for the period from January 1, 2003 to December 31, 2003.

Eric van Soeren

Trustee

Table of Contents

Report of the Trustee of The Coast Sustainability Trust	1
Mitigation Fund	1
Matching Fund	2
Ecosystem Based Management Land Use Planning subtrust	3
Distributions to Beneficiaries	4
Audited Financial Statements	6

The Coast Sustainability Trust

Report of the Trustee

The Coast Sustainability Trust (CST) was established in late March 2002. Its purpose is to mitigate any adverse impacts arising from government land use planning decisions related to the Land and Resource Management Plan (LRMP) process in the Central Coast, North Coast, and Queen Charlotte Islands (the Specified Area), and to help the coastal forest industry and coastal communities and First Nations become more sustainable.

The Trust consists of three funds:

1. A **Mitigation Fund** for workers and contractors affected by provincial government land use decisions;
2. A **Matching Fund** for communities and First Nations that have been negatively affected by provincial government land use decisions, and workers, contractors and communities that may be negatively affected by Ecosystem Based Management impacts; and
3. An **Ecosystem Based Management Land Use Planning subtrust (EBM-LUP)**. This subtrust was established in late March 2003 to enable participation in, and provide technical assistance to, the LRMP process, to promote and facilitate sustainable economic development, and/or to facilitate community development.

Trust Administration

A Trustee and a five-person Advisory Board administer the CST. The Advisory Board consists of one representative for industry, one for the Truck Loggers' Association, one for the IWA, one for the provincial government and one for communities.

Following are the criteria for the \$25,000,000 Mitigation Fund:

- Workers and contractors must be negatively affected by provincial government land use decisions related to the LRMP process made in the Central Coast, North Coast, and Queen Charlotte Islands planning areas.
- Workers must be full-time workers who are laid-off permanently some time after January 1, 2000 as a result of these land-use decisions.
- Workers hired and contractors first signed after April 1, 2001 are not eligible.
- Workers and contractors must have been working for mills or forestry related operations that derive at least 25% of their fibre from a specified LRMP planning area.

For workers, the following criteria apply:

- Funding assistance is available as severance. The amount is based on the Coast Master Agreement, which is 7 days pay for each full year worked, plus 7/12 of a day for each full month of a partial year.
- Unlike the Coast Master, severance can be paid even though there is not a permanent closure.
- Severance is paid based on Coast Master whether or not the employees are part of a union.

- If there is a reduction of staff, the union, company and the employees can decide who should go. Seniority isn't the only guide. If this results in slightly higher severance payments, the CST will cover it. The point is to help those who want to leave the industry do so to make room for those that want to stay.
- Employees that have partially mitigated their loss by finding alternate employment can still qualify for severance.
- Employees that receive voluntary severance have to sign a release giving up preferential hiring rights and seniority.

For contractors, the following criteria apply:

- Funding assistance is available for contractor buy-outs and payments for redundant equipment.
- Contractor buy-outs are based on a formula tied to the value of the contract and the amount of capital invested in the operation.
- Contractors with a low capital investment, such as most falling contractors, will receive 7% of the revenue they would receive if they were working, times 3. This is an estimate of what they may have earned over a 3-year period.
- Contractors with a high capital investment, such as full phase contractors, will receive 10% of the revenue they would receive if they were working, times 4. This is an estimate of what they may have earned over a 4-year period. The extra payment is in recognition of the fact that they had more invested, were likely less mobile, and therefore may have more trouble finding alternate income.
- The above formulas represent an estimate of the fair market value of the contracts if there was an arms length sale between a willing buyer and a willing seller.
- There are caps placed on buy-out payments to reflect known arms length transactions. For example, the most a full phase contractor will likely get is \$16/m³, and the most a road builder will get is \$30,000 per kilometer of road.
- In addition, as part of the contract buy-out, contractors are eligible for mitigation payments for redundant equipment based on 25% of the appraised value of their equipment, as determined by Ritchie Bros. The point of this payment is to cover some of the loss in value of the equipment, and the cost of servicing debt and maintaining the equipment when there was little work for it to do.

Following are the criteria for the \$10,000,000 Matching Fund:

- Funding can be directed to First Nations and forest-dependent communities in the Regional Districts of Skeena-Queen Charlotte, Central Coast, Comox-Strathcona, Mount Waddington, and the portions of the Kitimat-Stikine that are included in the North Coast planning area.
- Forest-dependent communities are defined as those at least 10% dependent on the forestry sector and with at least 10% of the labour force employed through the forest sector.
- Workers, contractors and communities that may be affected by Ecosystem Based Management (EBM) are also eligible. However, EBM has yet to be defined.

The initial fund allocation is as follows:

- \$5,000,000 for Communities, including First Nations.
- \$5,000,000 for workers, contractors and communities that may be negatively impacted by EBM.
- Both allocations are subject to a maximum of 3% administration costs.

The immediate objective of the Matching Fund is to provide funding to projects in communities impacted by the LRMP process. Funds will address local adjustment priorities, needs, opportunities and solutions. Projects must have community and preferably regional support and should result in:

- Regional and community strategic planning;
- Strategic investments with expected long term economic benefits; and
- Reduction of reliance on forestry based activities to alternative and sustainable economic activities.

The following guiding principles are to be applied to projects being submitted to the CST for consideration:

- Helps in developing a regional and community economic development strategy, if no current plan exists.
- Helps diversify the local economy, without adversely affecting the economies of neighboring communities.
- Has tangible long-term direct economic benefits, including employment creation or enhancement.
- Promotes sustainable development within the region.
- Demonstrates broad based community support.
- Is consistent with the community's Community Economic Development Strategy.
- Leverages a minimum of an equal amount of unencumbered private or public sector dollars.
- Does not request funding for activities that can be covered by other existing programs.
- Is environmentally sound and does not cause unsustainable pressure on natural resources.

Types of Assistance

- Funding assistance for communities is available for a variety of activities including:
 - regional planning (up to 20% of the available funds),
 - infrastructure development, and
 - marketing.
- Assistance will be in the form of grants made directly to communities, First Nations or entities such as not for profit societies or commissions that are formally supported by communities or First Nations.
- No funding will be provided to independent for profit operations.
- Assistance related to EBM will not be available until EBM is defined, and a negative impact on contractors or employees can be identified. At this time nothing has come to the attention of the Trustee to suggest that there has been any contractor or worker displacement as a result of provincial government land use decisions related to EBM, so employees, contractors and communities do not have access to this portion of the fund yet.

Following are the criteria for the \$254,000 EBM-LUP subtrust:

Funding can be directed to qualified recipients, such as a First Nations Band or Council, a local government, or a not-for-profit organization located in the Specified Area providing the proposal meets one or more of the following criteria:

- Enables participation in the Land Use Planning process;

- Provides technical assistance to the Land Use Planning process;
- Promotes sustainable economic development;
- Initiates an infrastructure project that will facilitate economic development; and/or
- Facilitates community development.

Fund Term

- The CST Mitigation Fund must be disbursed by March 31, 2005. Any remaining funds will be transferred to the CST Matching Fund at that time.
- The CST Matching Fund and the EBM-LUP subtrust must be disbursed by March 31, 2007.
- Any remaining funds at March 31, 2007 will be directed by the Trustee to another existing fund or program with objectives that are consistent with the Coast sustainability Trust.

Distributions to Beneficiaries

Mitigation Fund

As of December 31, 2003, contractor mitigation and employee severance required because of provincial government land use decisions related to the LRMP process on the Central Coast was completed for most of the affected parties. In total, 181 employees received severance funded by the CST since its inception, for a total payout of \$2,907,662. Also, 41 contractors have received mitigation payments totaling \$10,603,566 for lost contract value and redundant equipment. Three contractors entitled to approximately \$144,000 had not yet received some or all of their mitigation amount.

Most of the mitigation payments related to the first round of provincial government land use decisions in the Central Coast LRMP area have therefore now been made, or funds committed, at a total cost to the CST of approximately \$13.7 million. No payments have been made related to subsequent provincial government land use decisions on the Central Coast. Also, no payments have been made related the North Coast or Queen Charlotte Island LRMP areas. It is not possible at this time to estimate what those payments, if any, will be. The CST Mitigation Fund must be disbursed by March 31, 2005. Any remaining funds at that time will be directed to the CST Matching Fund.

Matching Fund

During 2003 the Advisory Board of the CST approved the creation of 5 Regional Steering Committees (RSCs), based on a combination of Regional District and LRMP area boundaries. These RSCs were established to determine how Community Matching Funds would be allocated. Representation on the RSCs consists of 50% First Nations nominees, and 50% non First Nations community nominees. The RSCs review proposals received directly from communities or First Nations in their area, or from entities supported by those communities or First Nations.

To date, 4 RSCs have been created, representing Comox Strathcona, Mount Waddington, the Central Coast, and the North Coast. Because of delays in the LRMP process, no RSC has been created yet for the Queen Charlotte Islands (QCI). If the LRMP process in the QCI progresses to the point where it appears that there may be a negative impact felt on communities as a result of provincial government land use decisions related to the LRMP process there, then a QCI RSC will be established.

Following is an indication of activity with the RSCs to date:

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

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

Some of the approved Matching Fund amounts led to multi-year funding agreements. Recipients must produce progress reports to demonstrate that they are essentially on track with their proposal, and are achieving the projected results, before they are able to get subsequent installments.

Ecosystem Based Management Land Use Planning (EBM-LUP) Subtrust

The CST received 4 requests for funding from the EBM-LUP Subtrust during the year. Three were approved, for a total of \$119,188, and one was rejected. As at December 31, 2003, \$40,000 had been disbursed, and \$79,188 was being held pending receipt of signatures on funding agreements or progress reports.

Conclusion

During 2003 the advisory board and steering committees for each of the 3 accounts within the Coast Sustainability Trust were active. The Trustee was able to distribute funds to the intended beneficiaries of each account, according to the Distribution Objectives of the Deed of Trust that established the CST. As further government land use decisions related to the LRMP process are announced, the advisory board and steering committees will be ready to respond quickly to proposals to mitigate any negative impacts, and to assist in funding planning and execution of new sustainable economic initiatives.

THE COAST SUSTAINABILITY TRUST
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2003

THE COAST SUSTAINABILITY TRUST
INDEX TO FINANCIAL STATEMENTS

Auditor's Report	Exhibit A
Statement of Financial Position	Exhibit B
Statement of Net Assets	Exhibit C
Statement of Receipts and Expenditures	Exhibit D
Notes to Financial Statements	Exhibit E
Schedule of Marketable Securities	Schedule 1
Schedule of Investments	Schedule 2
Schedule of Funds	Schedule 3

Exhibit A

To the Trustee
The Coast Sustainability Trust

AUDITORS' REPORT

We have audited the statement of financial position of The Coast Sustainability Trust as at December 31, 2003, and the statements of receipts and expenditures and net assets for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2003 and its receipts and expenditures for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, B.C.
February 10, 2004

THE COAST SUSTAINABILITY TRUST
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003

	<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
CURRENT ASSETS			
Cash - note 5		\$ 6,393	\$ 2,564,530
Marketable securities - Schedule 1		13,784,121	23,373,822
Interest receivable		483,553	187,981
Prepaid expenses		<u>-</u>	<u>1,000</u>
		14,274,067	26,127,333
INVESTMENTS - Schedule 2		<u>8,242,597</u>	<u>7,950,163</u>
TOTAL ASSETS		<u>\$ 22,516,664</u>	<u>\$ 34,077,496</u>
 <u>LIABILITIES</u> 			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		<u>\$ 22,190</u>	<u>\$ 32,905</u>
TOTAL LIABILITIES		<u>22,190</u>	<u>32,905</u>
 <u>FUND BALANCES</u> 			
NET ASSETS			
EBM-LUP fund - Schedule 3		214,882	-
Mitigation fund - Schedule 3		12,090,928	23,900,206
Matching fund - Schedule 3 and note 6		<u>10,188,664</u>	<u>10,144,385</u>
TOTAL NET ASSETS		<u>22,494,474</u>	<u>34,044,591</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 22,516,664</u>	<u>\$ 34,077,496</u>

APPROVED BY THE TRUSTEE

 _____ Trustee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u>	<u>2002</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	\$ 418,480	\$ 493,628
NON-OPERATING TRANSACTIONS		
Settlement of Trust	254,000	35,000,000
Disbursements to beneficiaries	<u>(12,222,597)</u>	<u>(1,449,037)</u>
	<u>(11,968,597)</u>	<u>33,550,963</u>
NET ASSETS AT BEGINNING OF YEAR	<u>34,044,591</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 22,494,474</u>	<u>\$ 34,044,591</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
STATEMENT OF RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
INTEREST RECEIPTS	\$ 5,072	\$ 338,040	\$ 516,756	\$ 859,868	\$ 667,472
EXPENDITURES					
Administration fees	433	13,945	11,288	25,666	17,467
Advisory board meeting costs	-	427	221	648	856
Audit fees	500	7,158	7,158	14,816	16,126
Bank charges and interest	230	215	830	1,275	16,181
Consulting	-	-	111,755	111,755	3,920
GST expense	255	11,157	14,638	26,050	10,036
Legal fees	812	1,545	18,921	21,278	6,423
Office	-	614	519	1,133	179
Travel and entertainment	-	13,214	5,298	18,512	6,896
Trustee fees	1,960	125,080	93,215	220,255	95,760
	<u>4,190</u>	<u>173,355</u>	<u>263,843</u>	<u>441,388</u>	<u>173,844</u>
EXCESS OF RECEIPTS OVER EXPENDITURES	<u>\$ 882</u>	<u>\$ 164,685</u>	<u>\$ 252,913</u>	<u>\$ 418,480</u>	<u>\$ 493,628</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. PURPOSE OF THE TRUST

The Coast Sustainability Trust (the "Trust") was established by Deed of Trust dated March 28, 2002. Pursuant to Order in Council No. 258, approved and ordered on March 28, 2002, Forest Renewal B.C. made a payment of \$35,000,000 to the Trust. The funds are to be used to:

- a) implement short term mitigation measures for workers, contractors, communities and First Nations on whom the Land and Resource Management Plans ("LRMP") in the Central Coast, North Coast and the Queen Charlotte Islands/Haida Gwai have negative impacts; and
- b) to mitigate the longer term impacts of implementing these plans.

During the year, the Trust received \$254,000 in donor-directed funds to be used for Ecosystem Based Management related Land Use Planning ("EBM-LUP Subtrust") in the Trust geographical areas. These funds are to be distributed pursuant to specific donor instructions. The Trustee administers the distribution of the funds and prepares the related funding agreements. In accordance with the terms of the EBM-LUP Subtrust, these funds are not to be co-mingled with other funds of the Trust.

2. BENEFICIARIES OF THE TRUST

The beneficiaries of the Trust are:

- a) individuals who were employed in the forest industry in specified geographical areas during a specified period;
- b) individuals, companies, partnerships or other entities who provided services as contractors or operated sawmills which received at least 25% of their wood from specified geographical areas during a specified period;
- c) municipalities and unincorporated areas located in certain Regional Districts;
- d) any band (as defined by the Indian Act) located in specified geographical areas; and
- e) any other person or entity appointed by the Trustee as beneficiary in accordance with the Trust Deed.

3. SIGNIFICANT ACCOUNTING POLICY

Fund Accounting

The Coast Sustainability Trust employs fund accounting, using the accrual method of accounting for transactions. The Trust's assets are subject to the restrictions contained in the trust deed and are to be used only for the specified purposes. The Trust comprises the following funds:

- a) Mitigation Fund
 - i) Restricted

This fund is to be used to provide severance payments to employees and contract buy-outs and mitigation for redundant equipment to contractors in specified geographical areas during the specified period. This fund must be disbursed to beneficiaries by March 31, 2005. Any amount then remaining will be transferred to the restricted Matching Fund.

THE COAST SUSTAINABILITY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

a) Mitigation Fund, cont'd

ii) Unrestricted

This fund is to be used for administration expenses incurred over the life of the Trust.

b) Matching Fund

i) Restricted

This fund is to be used to provide assistance to communities and First Nations that have been negatively affected by the LRMP process in the specified areas, and communities, First Nations, contractors and workers on whom Ecosystem Based Management ("EBM") has had a negative impact. Funds can only be disbursed from the Trust if they are matched at a minimum of a 1:1 basis with unencumbered funds from sources other than the provincial government.

ii) Unrestricted

This fund is to be used for administration expenses incurred over the life of the trust.

c) EBM-LUP Subtrust

This donor directed fund is restricted to be used for Ecosystem Based Management related Land Use Planning in the Trust's geographical areas.

Revenue Recognition

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

Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Trustee's knowledge of current events and actions the Trust may undertake in the future, actual results may differ from the estimates.

4. STATEMENT OF CASH FLOWS

These financial statements do not include a statement of cash flows as the information is readily available from the financial statements, and would not provide additional useful information.

5. CASH

	<u>EBM-LUP Fund</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
Cash	<u>\$ 4,579</u>	<u>\$ 1,406</u>	<u>\$ 408</u>	<u>\$ 6,393</u>	<u>\$ 2,564,530</u>

THE COAST SUSTAINABILITY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

6. MATCHING FUND

The Matching Fund portion (\$10 million) of the Trust is to be used to fund certain community initiatives to mitigate adverse impacts from Land and Resources Management Plan ("LRMP") decisions and Ecosystem Based Management ("EBM") in specified areas.

Any disbursement from the Matching Fund is required to be matched on at least a 1:1 basis with unencumbered funds from sources other than the provincial government. The Trustee and his Advisory Board have prepared guidelines with respect to the Matching Fund in accordance with the directives in the trust deed and have allocated the Matching Fund equally to mitigate adverse effects from EBM and LRMP.

a) To Mitigate the Effects of EBM

As at the end of the fiscal year, there were no clear guidelines to define and quantify the adverse impacts of EBM. Accordingly, none of the \$5,000,000 allocated to mitigate the effects of EBM have been disbursed.

b) To Mitigate the Effects of LRMP

In accordance with the Trust's guidelines, the Trustee has solicited the formation of Regional Steering Committees ("RSC's") representing each of the five distinct geographical areas covered by the Trust. Each RSC is responsible for reviewing and approving proposals presented to the Trustee for funding.

Four RSC's have become active during the current year and certain funds have been disbursed or committed. The Trustee and the Advisory Board released additional funds to each of the four active RSC's, representing the initial allocation of \$1 million per RSC.

No RSC has yet been formed to represent the Queen Charlotte Islands region, and accordingly, the second portion of the LRMP funds designated for that area continue to be held in a non-allocated fund pending the formation of an RSC and the development of a regional business plan.

<u>Geographical area</u>	<u>Non-allocated fund, pending development of a regional business plan</u>	<u>Allocated to specific RSC</u>	<u>Total</u>
Comox Strathcona	\$ -	\$ 1,000,000	\$ 1,000,000
Mount Waddington	-	1,000,000	1,000,000
Central Coast	-	1,000,000	1,000,000
North Coast	-	1,000,000	1,000,000
Queen Charlotte Islands	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>
	<u>\$ 500,000</u>	<u>\$ 4,500,000</u>	<u>\$ 5,000,000</u>

The above allocation is prior to any disbursement of funds.

THE COAST SUSTAINABILITY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

6. MATCHING FUND, cont'd

In accordance with the guidelines, any funds which have been allocated to the five RSC's, unused by March 31, 2005, will revert to the restricted Matching Fund allocated to mitigate effects of LRMP. At the discretion of the Trustee and the Advisory Board, these funds may then be reallocated among the RSC's.

The amount set aside pending the development of regional business plans is to be held in a separate pool.

The allocations are preliminary and may be reviewed in the future.

In accordance with the Deed of Trust, up to 3% of the initial contribution to the Trust may be used for administrative expenses over the life of the Trust. For the period ended December 31, 2002, the Trust's receipts exceeded its expenditures.

7. INCOME TAXES

The Trustee is of the opinion that the Trust is either a non-profit organization or a public body performing a function of government and is therefore not a taxable entity. In order to confirm the Trust's status for income tax purposes, the Trustee applied to the Canada Customs and Revenue Agency (the "CCRA") for a ruling during the prior year.

Although the Rulings Directorate of the CCRA declined to provide a ruling in writing, the Trustee was advised verbally that the Trust is a holder of a power of appointment granted by the Government of the Province of British Columbia and accordingly, is exempt from income tax as a quasi-governmental agency administering a government program.

8. GOODS AND SERVICES TAXES

The Trustee has filed a request for a Goods and Services Tax ("GST") ruling to determine whether the Trust may claim a complete or partial refund of Input Tax Credits ("ITC's). If the ruling is favourable, the Trust will be able to recover ITC's since its inception.

9. FAIR VALUE AND CREDIT RISK

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The trust does not have significant concentration of credit risk.

10. COMMITMENTS

In accordance with the Trust deed, all funds must be disbursed to beneficiaries in accordance with the purpose of the Trust and the guidelines prepared by the Trustee by March 31, 2007. Any amounts remaining at that time are to be transferred to a person, organization or association whose objectives are compatible with the distribution objectives of the Trust. However, no amounts may be transferred to the Government of the Province of British Columbia.

THE COAST SUSTAINABILITY TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

10. **COMMITMENTS**, cont'd

As at December 31, 2003 the Trust had committed to make specific disbursements of approximately \$144,000 to contractors out of the Mitigation Fund.

As at December 31, 2003, the Trust had made disbursements and had committed to make disbursements out of the Matching Fund as follows:

	<u>2003</u>	<u>2002</u>
Committed to beneficiaries, contingent on availability of matching funds	\$ 721,380	\$ -
Irrevocably committed	73,650	-
Disbursed during the year	<u>120,406</u>	<u>-</u>
	<u>\$ 915,436</u>	<u>\$ -</u>

As at December 31, 2003, the Trust had made disbursements and had committed to make disbursements out of the EBM-LUP Fund as follows:

	<u>2003</u>	<u>2002</u>
Irrevocably committed	\$ 79,188	\$ -
Disbursed during the year	<u>40,000</u>	<u>-</u>
	<u>\$ 119,188</u>	<u>\$ -</u>

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
Government of Canada Treasury Bill Face Value \$6,000,000 Due March 13, 2003	-	-	-	-	5,921,742
Government of Canada Treasury Bill Face Value \$500,000 Due September 11, 2003	-	-	-	-	485,877
Brascan Financial Corporation Face Value \$800,000 Discount Note - Due January 7, 2003	-	-	-	-	799,142
Franchise Trust - 95 Face Value \$1,600,000 Discount Note - Due January 8, 2003	-	-	-	-	1,595,701
Associates Capital Corp Canada Face Value \$3,400,000 Discount Note - Due January 9, 2003	-	-	-	-	3,388,511
Canadian Imperial Bank of Commerce Face Value \$2,900,000 Bankers Acceptance - January 24, 2003	-	-	-	-	2,892,240
GE Funding Co. Face Value \$2,000,000 Discount Note - Due February 18, 2003	-	-	-	-	1,985,984

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
<i>carried forward</i>	-	-	-	-	17,069,197
PRN Province of Alberta Face Value \$4,500,000 Due December 1, 2003	-	-	-	-	4,335,885
RES Province of Ontario Global 8.75 2003 Face Value \$2,000,000 Due April 22, 2003	-	-	-	-	1,968,740
Government of Canada Treasury Bill Face Value \$595,000 Due January 15, 2004	-	587,643	-	587,643	-
Government of Canada Treasury Bill Face Value \$2,509,000 Due March 25, 2004	-	494,359	1,932,296	2,426,655	-
Government of Canada Treasury Bill Face Value \$1,023,000 Due April 22, 2004	-	-	989,211	989,211	-
Government of Canada Treasury Bill Face Value \$900,000 Due July 15, 2004	-	-	877,963	877,963	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
<i>carried forward</i>	-	1,082,002	3,799,470	4,881,472	23,373,822
Government of Canada Treasury Bill					
Face Value \$225,000					
Due August 12, 2004	-	-	219,259	219,259	-
CIBC Bankers Acceptance					
Face Value \$30,000					
Due January 5, 2004	-	29,962	-	29,962	-
Franchise Trust 97					
Face Value \$155,000					
Due January 5, 2004	-	154,618	-	154,618	-
Franchise Trust 95					
Face Value \$58,000					
Due January 5, 2004	-	-	57,926	57,926	-
TD Bank Discount Note					
Face Value \$210,000					
Due January 9, 2004	209,535	-	-	209,535	-
Leaf Trust 90					
Face Value \$110,000					
Due January 12, 2004	-	-	109,666	109,666	-
CIBC Bankers Acceptance					
Face Value \$480,000					
Due January 26, 2004	-	475,323	-	475,323	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF MARKETABLE SECURITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
<i>carried forward</i>	209,535	1,741,905	4,186,321	6,137,761	23,373,822
Province of BC Midterm notes					
Face Value \$490,000					
Due February 3, 2004	-	498,846	-	498,846	-
BOM Deposit Note					
Face Value \$387,000					
Due March 1, 2004	-	-	399,869	399,869	-
CIBC Bankers Acceptance					
Face Value \$546,000					
Due April 15, 2004	-	539,480	-	539,480	-
Caisse Central Desjardins Discount note					
Face Value \$336,000					
Due April 20, 2004	-	331,356	-	331,356	-
RES Government of Canada					
Face Value \$750,000					
Due June 1, 2004	-	-	733,396	733,396	-
RES Province of Ontario					
Face Value \$5,500,000					
Due September 15, 2004	-	2,805,498	2,337,915	5,143,413	-
MARKETABLE SECURITIES	<u>\$ 209,535</u>	<u>\$ 5,917,085</u>	<u>\$ 7,657,501</u>	<u>\$ 13,784,121</u>	<u>\$ 23,373,822</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
RES Province of Ontario Face Value \$5,500,000 Due September 15, 2004	-	-	-	-	5,143,413
RES Province of Ontario Face Value \$930,220 Due March 8, 2005	-	895,999	-	895,999	-
CPN Ontario Hydro Global Face Value \$1,273,548 Due April 15, 2005	-	-	1,222,499	1,222,499	-
CPN Ontario Hydro Face Value \$797,0830 Due May 3, 2005	-	764,065	-	764,065	-
CPN Province of Ontario Face Value \$137,850 Due May 19, 2005	-	131,935	-	131,935	-
CPN Province of Ontario Face Value \$2,000,000 Due June 2, 2005	-	1,806,750	-	1,806,750	1,806,750
CPN Province of British Columbia Face Value \$341,572 Due June 9, 2005	-	-	325,828	325,828	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>EBM-LUP</u>	<u>Matching Fund</u>	<u>Mitigation Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
<i>carried forward</i>	-	3,598,749	1,548,327	5,147,076	6,950,163
RES Province of British Columbia Face Value \$940,000 Due June 9, 2005	-	-	896,672	896,672	-
RES Province of British Columbia Face Value \$800,000 Due August 23, 2005	-	-	728,850	728,850	-
CPN Nova Scotia Power Face Value \$502,960 Due November 15, 2005	-	469,999	-	469,999	-
Province of Manitoba Ratcher Coupon Rate Notes Face Value \$1,000,000 Due December 5, 2005	-	-	1,000,000	1,000,000	1,000,000
INVESTMENTS	<u>\$ -</u>	<u>\$ 4,068,748</u>	<u>\$ 4,173,849</u>	<u>\$ 8,242,597</u>	<u>\$ 7,950,163</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE COAST SUSTAINABILITY TRUST
SCHEDULE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	EBM-LUP fund		Matching fund		Mitigation fund		2003 Total	<u>2002 Total</u>
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>		
Balance, beginning of period	\$ -	\$ -	\$ 9,700,000	\$ 444,385	\$ 22,800,962	\$ 1,099,244	\$ 34,044,591	\$ -
Settlement of trust	246,380	7,620	-	-	-	-	254,000	35,000,000
Disbursements to beneficiaries	(40,000)	-	(120,406)	-	(12,062,191)	-	(12,222,597)	(1,449,037)
Excess of receipts over expenditures	<u>-</u>	<u>882</u>	<u>-</u>	<u>164,685</u>	<u>-</u>	<u>252,913</u>	<u>418,480</u>	<u>493,628</u>
Balance, end of period	<u>\$ 206,380</u>	<u>\$ 8,502</u>	<u>\$ 9,579,594</u>	<u>\$ 609,070</u>	<u>\$ 10,738,771</u>	<u>\$ 1,352,157</u>	<u>\$ 22,494,474</u>	<u>\$ 34,044,591</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.