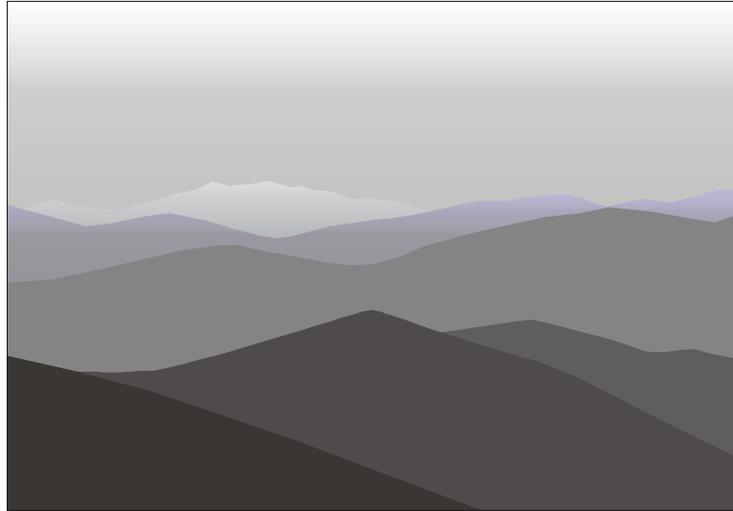


# **The Coast Sustainability Trust II**



**December 31, 2007  
Annual Report**

**Trustee  
Eric van Soeren**

## **The Coast Sustainability Trust II**

### **Report of the Trustee**

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

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

As of December 31, 2007, the CST II consists of three funds, with the following approximate balances:

1. A **Community Matching Fund** for civic communities and First Nations that have been negatively affected by provincial government land use decisions related to the LRMP process. As of year-end, the Community Matching Fund account contained approximately \$11,790,000.
2. An **Ecosystem Based Management Matching Fund**, for communities, First Nations, workers and contractors that may be negatively affected by the implementation of Ecosystem Based Management, currently projected for March 31, 2009. As of year-end, the EBM Matching Fund account contained approximately \$5,152,000; and
3. An **Ecosystem Based Management Working Group (EBMWG)** sub trust, whose purpose is to fund consulting projects approved by the EBMWG with a view to improving the scientific basis of EBM related decisions. As of year-end the EBMWG sub trust contained approximately \$502,000.

#### **Trust Administration**

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

#### **Following are the criteria for the Community Matching Fund:**

The immediate objective of the Community Matching Fund is to provide funding to projects in civic and First Nation communities impacted by the LRMP process. Funding can be directed to First Nations and civic communities in the Regional Districts of Skeena-Queen Charlotte, Central Coast, Comox-Strathcona, Mount Waddington, and the portions of the Kitimat-Stikine that are included in the North Coast LRMP planning area. 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 conventional forestry based activities to alternative and sustainable economic activities.

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

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

#### **Types of Matching Fund Assistance**

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

#### **Following are the criteria for the Ecosystem Based Management Matching Fund (EBMMF):**

- The same as for the Community Matching Fund, but in addition, workers, contractors and communities that may be affected by provincial government land use decisions related to Ecosystem Based Management (EBM) are also potentially eligible for mitigation payments.
- Assistance related to EBM will not be available until EBM is defined, and a negative impact on contractors or employees can be identified. 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. At present the best estimate for the timing of the full implementation of EBM is March 31, 2009.

**Following are the criteria for the Ecosystem Based Management Working Group (EBMWG) subtrust:**

- The purpose of the EBMWG sub trust is to fund research to assist in the development of scientific knowledge related to the implementation of Ecosystem Based Management.
- The Land Resource Forums approve general funding initiatives, while the EBMWG co-chairs, working with the EBMWG and the various project steering committees, approve specific research studies.
- The CST II Trustee monitors the financial side of each project, and handles all payments to contractors.

**The initial CST II fund allocation was as follows:**

- The EBM Matching Fund started with \$5,000,000.
- The Community Matching Funds received the balance of the undistributed funds in the CST Matching Fund as of March 31, 2007. This amounted to \$13,059,973
- The Ecosystem Based Management Working Group started with \$620,000 plus the net of the unallocated Ecosystem Based Land Use Planning and the Economic, Scientific and Adaptive Management Development and Planning sub trusts remaining in the CST, for a total of \$705,416.
- All three funds are subject to a maximum of 3% of the capital plus the interest for administration costs. To date administration cost have remained low enough that all the capital plus a substantial amount of the interest has been retained for the benefit of the intended beneficiaries of the CST and the CST II.

**Fund Term**

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

**Distributions to Beneficiaries**

**Community Matching Fund**

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.

Five RSCs have been created, representing Comox Strathcona, Mount Waddington, the Central Coast, the North Coast and the Queen Charlotte Island / Haida Gwaii. Following is an indication of activity with the RSCs to date:

**Status of Community Matching Fund funding requests  
As at December 31, 2007**

<b>Regional Steering Committee</b>	<b>Total Project Size</b>	<b>Amount Requested of CST</b>	<b>Amount Rejected by CST or abandoned by applicant</b>	<b>Amount still under consideration by CST</b>	<b>Number of Approved Projects</b>	<b>Amount approved by CST</b>	<b>Amount disbursed by CST</b>
<b>Central Coast</b>	\$14,675,030	\$4,596,397	\$1,920,901	\$653,380	52	\$2,022,116	\$1,608,739
<b>Comox Strathcona</b>	\$44,103,336	\$10,782,075	\$7,584,693	\$469,000	33	\$2,728,382	\$2,191,082
<b>Mount Waddington</b>	\$84,891,286	\$6,952,533	\$3,052,664	\$1,155,066	41	\$2,744,804	\$1,512,653
<b>North Coast</b>	\$30,301,476	\$5,251,929	\$2,103,105	\$604,912	26	\$2,543,913	\$1,051,946
<b>QCI Haida Gwaii</b>	\$36,434,936	\$4,258,470	\$1,748,750	\$277,827	26	\$2,231,893	\$743,110
<b>Total:</b>	<b>\$210,406,064</b>	<b>\$31,841,403</b>	<b>\$16,410,113</b>	<b>\$3,160,185</b>	<b>178</b>	<b>\$12,271,106</b>	<b>\$7,107,530</b>

Some of the approved Matching Fund amounts led to multi-year funding agreements. Recipients must produce progress reports to demonstrate that they are essentially on track with their proposal, and are achieving the projected results, before they are able to get subsequent installments. All projects are approved subject to the applicant receiving a minimum at least one dollar for each three CST II dollars for the first \$50,000 of a project, and dollar for dollar matching funds from a source other than the provincial government for any project funding after that amount. In some cases applicants may not be able to source the matching funds, in which case their approval will be rescinded, and the funds made available for other applicants.

**Ecosystem Based Management Working Group Subtrust**

The CST has received authorization to fund 8 different contracts, for a total of \$327,656. Of this balance, \$209,068 has been disbursed, with most of the rest expected to be disbursed early in 2008.

**Conclusion**

During 2007 the Regional Steering Committees for the Community Matching Fund and the EBMWG fund were active. The Trustee was able to distribute funds to the intended beneficiaries of the active accounts, according to the Distribution Objectives of the Declaration of Trust that established the CST. The Advisory Board and Regional Steering Committees continue to be ready to respond quickly to proposals to mitigate any negative impacts related to the LRMP process and the implementation of Ecosystem Based Management, and to assist in funding the planning and execution of new sustainable economic initiatives.

**COAST SUSTAINABILITY TRUST II**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2007**

**COAST SUSTAINABILITY TRUST II**  
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Schedule of Investments	Schedule 2
Schedule of Funds	Schedule 3

Exhibit A

To the Trustee  
**Coast Sustainability Trust II**

**AUDITORS' REPORT**

We have audited the statement of financial position of Coast Sustainability Trust II as at December 31, 2007, and the statements of receipts and expenditures and net assets for the period 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, 2007 and its receipts and expenditures for the period then ended in accordance with Canadian generally accepted accounting principles.

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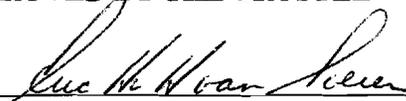
CHARTERED ACCOUNTANTS

Vancouver, B.C.  
February 21, 2008

**COAST SUSTAINABILITY TRUST II**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2007**

<u><b>ASSETS</b></u>	<u><b>2007</b></u>
<b>CURRENT ASSETS</b>	
Marketable securities - Schedule 1	\$ 14,037,675
Interest receivable	<u>289,743</u>
	14,327,418
<b>INVESTMENTS - Schedule 2</b>	<u>3,178,637</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,506,055</u></u>
 <u><b>LIABILITIES</b></u>  	
<b>CURRENT LIABILITIES</b>	
Cheques written in excess of cash on hand	\$ 25,662
Accounts payable and accrued liabilities	<u>36,826</u>
<b>TOTAL LIABILITIES</b>	<u>62,488</u>
 <u><b>FUND BALANCES</b></u>  	
<b>NET ASSETS</b>	
EBM Matching fund - Schedule 3	5,151,815
EBMWG fund - Schedule 3	501,889
Community matching fund - Schedule 3 and note 6	<u>11,789,863</u>
<b>TOTAL NET ASSETS</b>	<u>17,443,567</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 17,506,055</u></u>

**APPROVED BY THE TRUSTEE**

 \_\_\_\_\_ Trustee

**COAST SUSTAINABILITY TRUST II**  
**STATEMENT OF NET ASSETS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>2007</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<b>\$ 317,697</b>
<b>NON-OPERATING TRANSACTIONS</b>	
Transfer of funds from the Predecessor Trust - note 1	18,179,381
Settlement of EBMWG subtrust - note 1	620,000
Disbursements to beneficiaries	(1,641,461)
<b>NET ASSETS AT BEGINNING OF PERIOD</b>	<u>-</u>
<b>NET ASSETS AT END OF PERIOD</b>	<u><b>\$ 16,855,617</b></u>

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

**COAST SUSTAINABILITY TRUST II**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
<b>INTEREST RECEIPTS</b>	<u>\$ 152,474</u>	<u>\$ 21,776</u>	<u>\$ 377,593</u>	<u>\$ 551,843</u>
<b>EXPENDITURES</b>				
Audit fees	213	1,385	14,842	16,440
Bank charges and interest	200	230	605	1,035
GST expense	-	394	12,558	12,952
Legal fees	-	-	3,052	3,052
Office	-	-	1,619	1,619
Project analysis	-	-	39,680	39,680
Travel and entertainment	-	404	4,664	5,068
Trustee fees	<u>2,000</u>	<u>14,010</u>	<u>138,290</u>	<u>154,300</u>
	<u>2,413</u>	<u>16,423</u>	<u>215,310</u>	<u>234,146</u>
<b>EXCESS OF RECEIPTS OVER EXPENDITURES</b>	<u>\$ 150,061</u>	<u>\$ 5,353</u>	<u>\$ 162,283</u>	<u>\$ 317,697</u>

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

**COAST SUSTAINABILITY TRUST II**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

**1. PURPOSE OF THE TRUST**

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

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

Pursuant to Order in Council No. 258, approved and ordered on March 28, 2002, Forest Renewal B.C. made a payment of \$35,000,000 to the Predecessor Trust. The funds were to be used to:

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

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

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

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

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

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

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

**COAST SUSTAINABILITY TRUST II**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

**2. BENEFICIARIES OF THE TRUST**

The beneficiaries of the Trust are:

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

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

The Trust comprised the following funds during the year:

a) **Communities Matching Fund ("CMF")**

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

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

This fund will be used to provide assistance to communities, First Nations, contractors and workers on whom Ecosystem Based Management ("EBM") has had a negative impact. Funds will not be disbursed from the EBMMF until EBM is implemented, currently expected to be in March 2009.

Guidelines for this fund will be developed when EBM is implemented.

c) **EBMWG Subtrust**

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

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

**Revenue Recognition**

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

**Use of Assumptions and Estimates**

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

**COAST SUSTAINABILITY TRUST II**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

**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-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
Cash	<u>\$ 2,080</u>	<u>\$ (27,644)</u>	<u>\$ (98)</u>	<u>\$ (25,662)</u>

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

**6. MATCHING FUND**

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

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

a) To Mitigate the Effects of LRMP

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

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

Central Coast RSC	\$ 3,500,000
Comox Strathcona RSC	3,500,000
Mount Waddington RSC	3,500,000
North Coast RSC	3,500,000
Queen Charlotte Islands/Haida Gwaii RSC	<u>3,500,000</u>
	<u>\$ 17,500,000</u>

The above allocations were prior to any disbursement of funds.

b) To Mitigate the Effects of EBM

The amount initially allocated to mitigate the adverse impacts of EBM was \$5,000,000. No funds were disbursed from the Ecosystem Based Management Matching Fund in the current year because EBM has not yet been fully implemented.

**COAST SUSTAINABILITY TRUST II**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

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

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

In accordance with the Declaration of Trust, up to 3% of the initial contribution to the Trust, plus the aggregate income of the Trust, net of Income Taxes, if any, may be used for administrative expenses over the life of the Trust. From the inception of the Predecessor Trust to December 31, 2007, the Predecessor Trust's and the Trust's receipts exceeded administrative 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 predecessor Trust's status for income tax purposes, the Trustee applied to the Canada Revenue Agency (the "CRA") for a ruling during a prior year.

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

**8. GOODS AND SERVICES TAXES**

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

**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**

The Trustee works closely with the RSC's to solicit funding proposals for projects which meet the Trust's guidelines. Upon acceptance of a proposal, the Trustee enters into a funding agreement with the potential recipient. The agreement ordinarily confirms the Trust's commitment for certain disbursements, the expected timing of the disbursements and the criteria for the release of funds.

As at December 31, 2007, the Trust had made disbursements and had committed to make disbursements out of the Matching Fund as follows:

	<u>2007</u>
Committed to beneficiaries, contingent on availability of matching funds	\$ 5,163,576
Disbursed during the year	1,432,393
Disbursed during prior years by Predecessor Trust	<u>5,675,137</u>
	<u>\$ 12,271,106</u>

**COAST SUSTAINABILITY TRUST II**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

10. **COMMITMENTS**, cont'd

As at December 31, 2007, the Trust had made disbursements and had committed to make disbursements out of the EBMWG Fund as follows:

	<u>2007</u>
Committed to beneficiaries	\$ 118,487
Disbursed during the year	<u>209,068</u>
	<u>\$ 327,555</u>

**COAST SUSTAINABILITY TRUST II**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
Laurentian Bank of Canada GIC Face Value \$600,000 Due December 19, 2008	\$ 600,000	\$ -	\$ -	\$ <b>600,000</b>
National Bank of Canada GIC Face Value \$1,315,600 Due December 19, 2008	1,315,600	-	-	<b>1,315,600</b>
Franchise Trust Discount Note Face Value \$303,000 Due January 9, 2008	-	299,030	-	<b>299,030</b>
PRN Canada Housing Trust Face Value \$232,290 Due March 15, 2008	-	229,071	-	<b>229,071</b>
CIBC BA Face Value \$25,000 Due January 2, 2008	-	-	24,982	<b>24,982</b>
RBC BA Face Value \$1,790,000 Due January 16, 2008	-	-	1,718,386	<b>1,718,386</b>
Government of Canada Treasury Bill Face Value \$1,299,000 Due February 21, 2008	-	-	1,254,504	<b>1,254,504</b>

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

**COAST SUSTAINABILITY TRUST II**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
<i>carried forward</i>	1,915,600	528,101	2,997,872	<b>4,913,472</b>
RES Province of Ontario Face Value \$1,727,100 Due March 8, 2008	-	-	1,676,270	<b>1,676,270</b>
CIBC GIC Face Value \$495,000 Due March 10, 2008	-	-	495,000	<b>495,000</b>
PRN Canada Housing Trust Face Value \$286,100 Due March 15, 2008	-	-	274,952	<b>274,952</b>
CIBC BA Face Value \$820,000 Due March 31, 2008	-	-	801,286	<b>801,286</b>
Government of Canada Treasury Bill Face Value \$1,240,000 Due May 15, 2008	-	-	1,214,687	<b>1,214,687</b>
Res Province of Manitoba Face Value \$1,743,500 Due June 2, 2008	-	-	1,674,552	<b>1,674,552</b>

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

**COAST SUSTAINABILITY TRUST II**  
**SCHEDULE OF MARKETABLE SECURITIES**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
<i>carried forward</i>	1,915,600	528,101	9,134,619	<b>11,578,320</b>
CPN Hydro Quebec Face Value \$435,300 Due July 15, 2008	-	-	412,968	<b>412,968</b>
CIBC GIC Face Value \$350,000 Due August 11, 2008	-	-	350,000	<b>350,000</b>
Res Province of Nfld & Labrador Face Value \$1,088,090 Due October 7, 2008	-	-	1,051,659	<b>1,051,659</b>
Res Province of Ontario Face Value \$668,500 Due November 19, 2008	-	-	644,728	<b>644,728</b>
Face Value \$869,000 Due May 1, 2006	-	-	-	-
<b>MARKETABLE SECURITIES</b>	<b><u>\$ 1,915,600</u></b>	<b><u>\$ 528,101</u></b>	<b><u>\$ 11,593,974</u></b>	<b><u>\$ 14,037,675</u></b>

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

**COAST SUSTAINABILITY TRUST II**  
**SCHEDULE OF INVESTMENTS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
Res Province of Quebec Face Value \$265,500 Due April 1, 2009	244,512	-	-	<b>244,512</b>
Laurentian Bank of Canada Face Value \$934,100 Due May 19, 2009	934,100	-	-	<b>934,100</b>
HSBC Bank of Canada GIC Face Value \$1,500,000 Due October 5, 2009	1,500,000	-	-	<b>1,500,000</b>
Res Province of Ontario Face Value \$547,200 Due November 19, 2009	<u>500,025</u>	<u>-</u>	<u>-</u>	<u><b>500,025</b></u>
<b>INVESTMENTS</b>	<u><b>\$ 3,178,637</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,178,637</b></u>

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

**COAST SUSTAINABILITY TRUST II**  
**SCHEDULE OF FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<u>EBM-Matching Fund</u>	<u>EBMWG Fund</u>	<u>Communities Matching Fund</u>	<u>2007 Total</u>
Transfer of funds from the Predecessor Trust	\$ 5,001,754	\$ 117,654	\$ 13,059,973	\$ 18,179,381
Disbursements made for the Predecessor Trust	-	(32,050)	-	(32,050)
Settlement of EBMWG subtrust	-	620,000	-	620,000
Disbursements to beneficiaries	-	(209,068)	(1,432,393)	(1,641,461)
Excess of receipts over expenditures	<u>150,061</u>	<u>5,353</u>	<u>162,283</u>	<u>317,697</u>
Balance, end of period	<u>\$ 5,151,815</u>	<u>\$ 501,889</u>	<u>\$ 11,789,863</u>	<u>\$ 17,443,567</u>

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