Celebrating our tenth year of operation; building on our success for the future.

The beginning of 2007 marked The Climate Trust’s tenth year of operation. As we look back and toward the years ahead, we celebrate the work that has enabled us to build our reputation as an innovative carbon market leader, and an experienced, credible source of information on greenhouse gas offsets.

As the offset market grows, we’ve seen confirmation of what The Climate Trust has believed to be true all along: both public and corporate consumers value quality and need assurance that their offset purchases are resulting in real, verifiable emission reductions.

Providing high-quality greenhouse gas offsets has always been the cornerstone of our mission. Last year we were recognized as one of the leading U.S. offset providers in an influential report produced by Clean Air—Cool Planet. We continue to walk our talk in the marketplace by working to advance policies that will institutionalize high offset standards.

Over the last year, we provided leadership in the development of both the regulatory and voluntary greenhouse gas offset markets. We were a key player in the development of an international offset protocol known as the Voluntary Carbon Standard, which is intended to bring accountability, standardization, and transparency to the voluntary offset market. We also provided input into Washington State’s new power plant emissions reduction laws through our work with the state’s Energy Facility Site Evaluation Council Carbon Dioxide Rulemaking.

The Climate Trust participated in high-level dialogues relating to these policies and others during a period of unprecedented public policy activity around climate change. California passed the landmark Global Warming Solutions Act of 2006, and states and provinces across the western U.S., Canada, and Mexico joined together to form the Western Climate Initiative. Concurrently, we strengthened our offset portfolio and programmatic offerings to respond to the tremendous expansion in the developing voluntary and regulatory markets.

Since 2005, we have finalized purchase agreements on six new offset projects, growing the size of our offset portfolio from 1.6 million metric tons to nearly 2.6 million metric tons, through $8.8 million in funding. And at the end of 2006 we launched our largest offset initiative to date, teaming with environmental consulting firm M.J. Bradley & Associates to solicit proposals to offset 10.5 million short tons of greenhouse gases.

We also re-launched an improved CarbonCounter.org, significantly strengthening our consumer-oriented offset website. Lastly, we expanded the scope of our strategic consulting services to better assist organizations in evaluating, planning, and implementing offset programs.

Through all of the changes we’ve seen in the last ten years, we’ve continued to operate efficiently and cost-effectively. Since our founding, we’ve directed 93% of our expenditures to our offset programs, keeping us in the highest tier of non-profits in terms of spending.

Climate science continues to show that we must begin to drastically reduce greenhouse gas emissions. We think The Climate Trust and offsets are part of the solution. We’re proud of our first ten years, and we look forward to continuing to be an innovator and leader in the greenhouse gas reduction market.

Sincerely,

Mike Burnett
Executive Director

Alan Zelenka
Board Chair
The Climate Trust's mission is to promote climate change solutions by providing high-quality greenhouse gas offset projects and advancing sound offset policy.

Since our founding in 1997, we have directed $8.8 million in funding into projects that are expected to offset nearly 2.6 million metric tons of carbon dioxide (CO₂). In addition, we have advised policy makers on the importance of offset quality at the state, regional, national, and international levels.

Our experience, commitment to quality, and innovative vision have made The Climate Trust a recognized leader in the offset market, and one of the largest institutional purchasers of greenhouse gas offsets in the United States.

We focus our work in six program areas:

**Large Emitter Offset Acquisition Program**: This program enables large emitters to offset their emissions by purchasing new, high-quality greenhouse gas offset projects. The program provides services throughout the offset value chain, including project identification, contracting, management, and registration.

**Oregon Power Plant Offset Program**: The Climate Trust was founded to enable Oregon’s new power plants to meet their regulatory requirement to offset CO₂ emissions. Oregon’s groundbreaking climate law is the backbone of the high-quality standards that we feature throughout our work.

**Policy**: The Climate Trust offers strategic advice to policy makers exploring greenhouse gas reduction strategies or instituting other climate change initiatives. Our core message is simple: high-quality offsets can play an important role as part of market-based solutions to address climate change.

**Offsets for Businesses**: We offer several tools to enable businesses, organizations, and event managers to calculate their emissions and then offset them through a tax-deductible donation. We also offer a program to help organizations encourage their employees to take action on climate change through a gift-matching incentive. These programs are targeted at companies that are interested in offsetting part or all of their greenhouse gas footprint.

**CarbonCounter.org**: Carbon Counter is our consumer-oriented website. Re-launched in 2006, the site allows users to calculate their carbon footprint from the three largest sources of an individual’s climate impact: home energy use, auto travel, and air travel. Visitors can then offset their emissions through a donation. Individuals are also provided with ideas for reducing their footprint.

**Consulting**: The Climate Trust offers consulting services to organizations interested in developing offset programs, and in exploring efficient and innovative ways to acquire offsets for their own use or for their customers and clients.
As concerns about climate change grow, many businesses, organizations, and individuals are interested in reducing their climate impacts.

How do offsets work at The Climate Trust?

Greenhouse gases are different than other pollutants. They impact the atmosphere equally regardless of where they are produced. Similarly, the atmospheric benefits of reducing greenhouse gas emissions are the same regardless of location.

As concerns about climate change grow, many businesses, organizations, and individuals are interested in reducing their climate impacts. Imagine a hypothetical company that wants to significantly reduce its emissions. One option is for the company to implement reductions at its own facilities. For most companies, there are limits to the types of reductions they can achieve on-site. Offset projects present alternative reduction options.

Instead of investing in high-cost, on-site reductions, the company can provide funding for the implementation of an offset project off-site. The project creates greenhouse gas reductions that are additional to a business-as-usual scenario. In order to qualify as an offset, the project must be reliant upon offset funding in order to be implemented. The offset credits generated by the project are used by the company to achieve its reduction goals.

When properly implemented, greenhouse gas offset projects are an important tool for addressing climate change. That is why The Climate Trust has long applied and supported stringent quality standards to provide integrity, accountability, and stability to the greenhouse gas offset market.

How The Climate Trust’s Carbon Offset Projects Work—An Example
The Climate Trust believes in utilizing strong criteria to ensure that our projects create high-quality greenhouse gas offsets, and to build integrity and credibility in the carbon market. We evaluate potential projects using standards like the Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute, and the Clean Development Mechanism.

Our projects have demonstrated that it is possible to acquire high-quality offsets at a reasonable price using stringent quality standards:

**Additionality**: Additionality is one of the defining criteria of a carbon offset project, and is the metric by which a project demonstrates that it will result in real, measurable reductions in greenhouse gases. The term comes from describing greenhouse gas offset emission reductions as those that occur in addition to a business-as-usual scenario.

The Climate Trust uses a set of tests to determine if a project will be additional:

1. Projects cannot be required by any law or regulation.
2. Projects cannot be commonly practiced in a sector or field.
3. Projects must demonstrate that offset funding is necessary in order to overcome barriers to project implementation. Some barriers are financial, such as high up-front capital requirements, or a low rate of return over a project’s life. Other barriers are institutional, such as resistance to projects that require changing current practices.

A project must meet the first two tests and at least one barriers test in order to be considered additional. Well-developed project sector benchmarks can be another tool to establish offset project additionality.

Beyond a high additionality threshold, we only fund new projects that are implemented after we sign contracts known as Emission Reduction Purchase Agreements.

**Permanence**: Permanence reflects a concern that offsets generated by biologically-based projects can be reversed. This can be an issue for offset sectors such as no-till farming, forest conservation, or reforestation. For instance, CO₂ that is stored through a reforestation project would be released if the forest burned. We address permanence through a variety of provisions in our purchase agreements.

**Leakage**: Leakage occurs when a project activity causes an increase in greenhouse gas emissions at a location other than the offset project site. For example, if a project protects against deforestation in a particular area, it is possible that demand for forest products could force logging operations to move to another location, negating any potential greenhouse gas reduction benefits from the initial project. We evaluate leakage according to the international standards discussed above.

**Monitoring and Verification**: The Climate Trust and its project partners agree on a specific, long term monitoring and verification plan that utilizes the best available practices to quantify the greenhouse gas reductions a project generates. Reductions are quantified by independent third-party experts, with an emphasis on rigorous baselines and conservative greenhouse gas accounting. This assures each project is performing as expected and resulting in actual reductions.

The Climate Trust’s Offsets are a Model for the Market.
Our Offset Projects Highlight Innovations Across the Economy.

**Portfolio Overview:** The Climate Trust has placed $8.8 million in a diverse portfolio of projects that are expected to offset nearly 2.6 million metric tons of carbon dioxide. Our approach values innovation and portfolio diversity. Much like diversifying assets on the stock market, funding a variety of projects minimizes the risk associated with any single venture not performing to expectations.

Each category below showcases a different strategy to reduce, avoid, or capture greenhouse gases.

**Energy Efficiency:** The Climate Trust has funded projects to overhaul production processes at a paper mill, increase residential and commercial building efficiencies, and save energy at a municipal steam plant (see Project Spotlight on next page). Our energy efficiency project implementation partners include Johnson Controls, Inc., the City of Duluth, Minnesota, Blue Heron Paper Company, the Energy Trust of Oregon, and the Portland Office of Sustainable Development.

**Cogeneration:** Cogeneration is a high-efficiency method of producing electricity from wasted steam after it has been used in an industrial process. The Climate Trust has funded two projects that utilize this technology. Our implementation partners include The Newark Group (see Project Spotlight) and Oregon State University.

**Renewable Energy:** Electricity generated from renewable energy projects displaces power that would otherwise be produced by utilities burning fossil fuels. The Climate Trust has worked with the Bonneville Environmental Foundation and NativeEnergy, LLC to implement two wind-based renewable energy projects.

**Biological Sequestration:** Long-term capture and storage of CO₂ is the goal of all sequestration projects. The Climate Trust has funded three projects that store CO₂ as biomass in forests in Oregon, Washington, and Ecuador. Our implementation partners include the Deschutes River Conservancy, the Lummi Indian Nation, the Jatun Sacha Foundation, and Conservation International.

**Fuel Replacement:** Fuel replacement displaces the use of fossil fuels and substitutes a fuel with a lower greenhouse gas intensity. The Climate Trust has funded two projects of this type. Our implementation partners include Biotactics and the Montana Department of Natural Resources and Conservation.

**Material Substitution:** Replacing a carbon-intensive material with one that is less carbon-intensive can create major CO₂ savings in industrial applications. Our implementation partner, Horst, Inc., is using Climate Trust funding to overcome technical and administrative barriers to begin widespread use of blended cement, a product equivalent to Portland cement but with a much smaller CO₂ footprint.

**Transportation Efficiency:** Transportation emissions are a significant source of greenhouse gases. The Climate Trust has funded three projects — two related to commuter traffic, and one related to diesel emissions — to find and improve efficiencies in the transportation sector. Our implementation partners include Shurepower LLC and the City of Portland, Oregon.
## Projects Overview

### Project Categories (by Tons) in the Climate Trust Offset Portfolio

- **Energy Efficiency**
  - Duluth Steam Plant Upgrade: 2006, 15 years, 210,328 metric tons
  - Blue Heron Industrial Efficiency Upgrade: 2004, 10 years, 192,232 metric tons
  - Portland Building Efficiency Program: 2002, 5 years, 374,035 metric tons
  - **Total Energy Efficiency**: 793,595 metric tons

- **Sequestration**
  - Deschutes Riparian Restoration: 2002, 52 years, 233,333 metric tons
  - Ecuadorian Rainforest Restoration: 2002, 9 years, 58,890 metric tons
  - Preservation of a Native NW Forest: 2002, 100 years, 263,159 metric tons
  - **Total Sequestration**: 555,382 metric tons

- **Cogeneration**
  - Oregon State University Cogeneration: 2007, 20 years, 338,790 metric tons
  - Newark Group Cogeneration: 2006, 15 years, 114,259 metric tons
  - **Total Cogeneration**: 453,049 metric tons

- **Transportation Efficiency**
  - Truck Stop Electrification: 2005, 15 years, 90,000 metric tons
  - Traffic Signal Optimization: 2002, 5 years, 171,786 metric tons
  - Internet-Based Carpool Matching: 2002, 10 years, 30,000 metric tons
  - **Total Transportation Efficiency**: 291,786 metric tons

- **Material Substitution**
  - Cool Climate Concrete: 2004, 5 years, 250,000 metric tons
  - **Total Material Substitution**: 250,000 metric tons

- **Renewable Energy**
  - Small Scale Wind Development: 2007, 15 years, 135,165 metric tons
  - Innovative Wind Financing: 2002, 2 years, 23,893 metric tons
  - **Total Renewable Energy**: 159,058 metric tons

- **Fuel Replacement**
  - Biotactics Geothermal Heating: 2007, 10 years, 25,500 metric tons
  - Montana Fuels for Schools: 2007, 15 years, 59,100 metric tons
  - **Total Fuel Replacement**: 84,600 metric tons

**Total CO₂ Offsets (metric tons)**: 2,587,470
Project Spotlight: Newark Group Cogeneration Turbine

How do you make an already green product even greener? The Newark Group, Inc. answered that question, with some help from The Climate Trust, by reducing the amount of CO₂ generated during their manufacturing process.

The Newark Group produces 100% recycled paperboard and related products at facilities around the United States and internationally. Newark Group products can be found nearly everywhere, including the paper, packaging, construction, furniture and game industries.

Carbon offset funding from The Climate Trust was the key to enabling The Newark Group to install a new steam turbine at its mill in Fitchburg, Massachusetts. The turbine produces electricity using waste steam from the mill in a process known as cogeneration.

Cogeneration is a high-efficiency method of simultaneously creating both electricity and useful heat or steam. The Newark mill now produces much of its own energy at an efficiency rate far greater than utilities can generate power for the electricity grid. Energy savings from the project are expected to prevent 115,000 metric tons of carbon dioxide from entering the atmosphere—equivalent to taking about 22,900 cars off the road for one year.

Project Spotlight: Duluth Steam Plant Upgrade

Located on the far western shore of Lake Superior, the City of Duluth, Minnesota is home to 87,000 people—and a historic, 75-year-old steam plant. The Duluth Steam Cooperative Association uses coal-fired boilers to deliver steam and heat to more than 225 industrial, commercial, and residential buildings around town.

Although the steam plant is old, a new facility is out of the question due to city budget constraints. A recent five-year city budget did not include any financial resources to upgrade the plant. Funds from The Climate Trust to purchase greenhouse gas offsets enabled Duluth to improve and upgrade the plant’s efficiency by more than 15 percent. The project is our first to directly reduce the use of coal.

The Climate Trust partnered with Johnson Controls, Inc., a global leader in building efficiency and power solutions, to install the upgrades. Over its 15 year life, the project is expected to generate 210,328 metric tons of carbon dioxide offsets, equivalent to taking about 41,900 cars off the road for one year.

In addition to the greenhouse gas benefits, reduced coal combustion means reductions in other air pollutants such as nitrous and sulfur oxides, and particulates. The City of Duluth also saves money by purchasing less coal.
Our long history in the market, emphasis on providing and promoting high-quality offsets, and our client-focused expertise sustain our reputation as a market leader.

In the next few years, the U.S. government is likely to regulate greenhouse gas emissions through the creation of a cap-and-trade system. Offsets are expected to be included in these regulations. The Climate Trust believes that high-quality offset standards will be a key element to assuring that offsets meet their potential in a cap-and-trade system. We are engaged in all aspects of the development of the market with this objective in mind.

The Climate Trust has long supported standards, transparency, and regulations to foster stability and confidence in the marketplace. Our staff regularly presents at industry conferences across the United States, and we continue to advocate for the responsible incorporation of market-based reduction mechanisms and high-quality criteria in emerging climate policy. We also continue to actively contribute to national and international climate change policy discussions, engendering excellent working relationships with policy leaders and stakeholders.

In the regulatory markets, we have delivered policy guidance for legislative decisions at the federal level, in the Northeastern U.S. under the Regional Greenhouse Gas Initiative, and in the states of California, Oregon, and Washington.

The Climate Trust is also an active participant in the development of California's pioneering climate change policy. As the world's sixth largest economy, California has the political clout and economic profile to heavily influence future climate policy at the federal level and internationally. Implementation of the state's Global Warming Solutions Act of 2006, which aims to reduce greenhouse gas emissions to 1990 levels by 2020, may become a model for future regional and/or federal action.

The Climate Trust is engaged in the voluntary markets as well. Our staff serves on the steering committee of The Voluntary Carbon Standard, an international offset certification protocol for the voluntary market, and we have provided key input into the development of other emerging voluntary market standards.

**The Climate Trust is a leader in the carbon offset market.**
With a decade of experience, The Climate Trust is unique among U.S. non-profits involved in the greenhouse gas offset market.

**National Growth**

In recent years, The Climate Trust’s programs and policy initiatives have grown substantially. To continue this growth, we will be creating the National Climate Trust, a new and separate non-profit organization with a national-level focus.

The National Climate Trust will build on the ten years of leadership and innovation that began in Oregon, while allowing us to better participate in the formation of the U.S. carbon market. The National Climate Trust’s mission will be very similar to that of the Oregon entity, but with a national scope, and the two organizations will work closely together. Over time, the Oregon entity likely will focus on the Oregon Offset Program and other greenhouse gas reduction project activities in Oregon, while the National Climate Trust will develop and manage programs on the national level and in other states.

**Continued Innovation**

As national climate legislation nears, we intend to continue our efforts to shape the evolving greenhouse gas market. With our unique experience and position as a non-profit, we see this as one of our fundamental roles while the market takes shape. Our focus remains on new projects, new technologies, and new ideas which will support market success and help in the transition to a low-carbon economy.

**Expanded Program Offerings**

The Climate Trust plans to continue expanding the offset services it provides to companies, government organizations, and other entities. With our decade of experience, we have gained valuable insight into the evaluation, planning, and implementation of high-quality offset programs. We expect to grow our capabilities to share these insights with private and governmental organizations that wish to develop their own offset programs.

**Staffing**

Over the last year, The Climate Trust has added key staff to strengthen several important areas of the organization. These areas include policy analysis, marketing and communications, operations, and project management. In the future, we plan to continue growing and strengthening these areas, and to significantly enhance our fundraising capabilities.
Funders & Clients

Oregon Power Plant Program
Avista
Calpine
City of Klamath Falls
Northwest Natural
PPM Energy
Portland General Electric

Large Emitter Offset Acquisition Program
American National Power
Basin Creek Power
Conectiv Energy Supply, Inc.
Dominion Resources Services, Inc.
Entergy Corporation
NRG Energy, Inc.
Public Service Enterprise Group
Sacramento Municipal Utility District
Seattle City Light

Business Offsets (> $500)
Berkebile Nelson Immenschuh McDowell Architects
Bon Jovi Tours, Inc.
Ceres
Fidelity Charitable Gift Fund
Gerding / Edlen Development Company
Global Warming Education Fund
Green Mountain Energy Company
Simon and Associates
Natural Capital Center
NetGreen/Global Warming Education
Organic Bouquet
Portland Energy Conservation, Inc.
Progressive Investment Management
Schwab Fund for Charitable Giving
ShoreBank Corp.
ShoreBank Pacific
The Puskar Family Foundation

Foundations
Compton Foundation
Fortuna Group
Jewish Community Endowment Fund
Jubitz Family Foundation
M.J. Murdock Charitable Trust
MRG Foundation
Seidman Family Foundation
Surdna Foundation
Zephyr Charitable Foundation

Leadership Circle
The following are individuals that contributed $500 or more, and organizations that contributed $1,000 or more.

Individuals:
Randi Becker
Jeffrey B. Bradley
Mike Burnett & Mary Beth Henry
Michael Dussault
Michael Grant
Paul Harcombe
John Healy
Richard May
Jon & Arlene McLaren
Talia Milgrom-Elcott
Peter Samson and Robin H. Schauffler

Organizations:
Nametag International
Nike
Pratt and Larson Ceramics
Wisdom Works Group
Affiliations are noted for identification purposes only.

**Board (Voting)**

Diana Bodtker  Recent Member, Energy Facility Siting Council (Board Chair)

Lori Brogoitti  Member, Oregon Energy Facility Siting Council (Vice Chair)

Susan Anderson  Director, Portland Office of Sustainable Development (Secretary)

Laura Beane  Market Structure Manager, PPM (Treasurer)

Bob Therkelsen  Professor, Southern Oregon University

Bettina von Hagen  Vice President, EcoTrust

Alan Zelenka  Energy Services Leader, Kennedy/Jenks Consulting

**Board (Non-Voting)**

Tim Carlberg  Construction Manager, Avista Corp.

Rick Colgan  Plant Manager, Hermiston Power Project, Calpine

Bill Edmonds  Director of Environmental Policy and Sustainability, NW Natural

Wayne Lei  Director, Environmental Policy, Portland General Electric

**Advisory Council**

Gail Achterman  Director, Institute for Natural Resources, Oregon State University

Dale Bryk  Senior Attorney, Natural Resources Defense Council

Tom Casten  Chairman, Recycled Energy Development

Christine Ervin  Christine Ervin/Company; former President & CEO, U.S. Green Building Council

Ross Gelbspan  Former Boston Globe reporter and the author of *The Heat is On*

Judi Greenwald  Director of Innovative Solutions, Pew Center on Global Climate Change

Jan Hamrin  Executive Director, Center for Resource Solutions

Joel Makower  Co-Founder and Executive Editor, Greener World Media

Andrei Marcu  Senior Managing Director, Energy and Climate, World Business Council for Sustainable Development

David Nemtzow  Director-General, New South Wales Department of Energy, Utilities and Sustainability

Ken Newcombe  Head of Special Situations, Climate Change Capital

Jonathan Pershing  Program Director, Climate and Energy, World Resources Institute

Glenn Prickett  Executive Director, Center for Environmental Leadership in Business, and Senior Vice President, Conservation International

David Sandalow  Environment Scholar, The Brookings Institution

Diane Wittenberg  President, California Climate Action Registry

**Staff**

Mike Burnett  Executive Director

Sean Clark  Director of Offset Programs

Craig Diamond  Director of Strategy and Operations

Maggie Albertson  Office Manager

Erica Keeley  Offset Portfolio Manager

Alexia Kelly  Policy Analyst

Jed Jorgensen  Marketing and Communications Manager

Becky Ostrom  Administrative Assistant

Matthew Tidwell  Offset Portfolio Coordinator

Peter Weisberg  Offset Project Analyst
ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,023,785</td>
<td>$914,786</td>
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<tr>
<td>Accounts receivable</td>
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<td>$87,746</td>
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<tr>
<td>Grants receivable</td>
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<td>$87,500</td>
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<tr>
<td>Other current assets</td>
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<td>$69,333</td>
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<tr>
<td>Investments</td>
<td>$10,305,863</td>
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<tr>
<td>Office equipment, net depreciation</td>
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<td>$19,908</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$11,537,097</strong></td>
<td><strong>$9,504,602</strong></td>
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LIABILITIES AND NET ASSETS

**Liabilities**

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<tr>
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<th>2006</th>
<th>2005</th>
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<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$74,393</td>
<td>$30,416</td>
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<tr>
<td>Offset contracts payable</td>
<td>$3,406,977</td>
<td>$2,098,840</td>
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<tr>
<td>Unearned offset contract revenue</td>
<td>$7,533,283</td>
<td>$7,139,750</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$11,014,653</strong></td>
<td><strong>$9,269,006</strong></td>
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**NET ASSETS**

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<tr>
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<tbody>
<tr>
<td>Unrestricted</td>
<td>$471,783</td>
<td>$96,110</td>
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<tr>
<td>Temporarily restricted</td>
<td>$50,661</td>
<td>$139,486</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$522,444</strong></td>
<td><strong>$235,596</strong></td>
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</table>

**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$11,537,097</strong></td>
<td><strong>$9,504,602</strong></td>
</tr>
</tbody>
</table>

Offset Funds Tracking — December 31, 2006 (US $)

<table>
<thead>
<tr>
<th>Offset Funding Source</th>
<th>Total Commitment</th>
<th>Offset Contract Amount</th>
<th>Obligated Contracts</th>
<th>Balance Left to Obligate</th>
<th>Total For Offset Mgt. Funds</th>
<th>Offset Mgt. Funds Spent</th>
<th>Offset Mgt. Funds Unspent</th>
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</thead>
<tbody>
<tr>
<td>Klamath Cogeneration</td>
<td>1,197,697</td>
<td>958,158</td>
<td>710,760</td>
<td>247,398</td>
<td>239,539</td>
<td>141,018</td>
<td>98,521</td>
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<td>Hermiston Power</td>
<td>4,218,760</td>
<td>3,375,008</td>
<td>1,578,897</td>
<td>1,796,111</td>
<td>843,752</td>
<td>366,862</td>
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<tr>
<td>Coyote Springs 2</td>
<td>2,643,098</td>
<td>2,114,478</td>
<td>1,644,960</td>
<td>469,518</td>
<td>528,620</td>
<td>339,014</td>
<td>189,606</td>
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<td>NW Natural</td>
<td>23,567</td>
<td>18,853</td>
<td>4,857</td>
<td>13,996</td>
<td>4,714</td>
<td>523</td>
<td>4,191</td>
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<tr>
<td>Klamath Expansion</td>
<td>262,537</td>
<td>210,029</td>
<td>5,704</td>
<td>204,325</td>
<td>52,508</td>
<td>523</td>
<td>51,985</td>
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<tr>
<td>Hermiston Power Phase 2</td>
<td>434,142</td>
<td>347,313</td>
<td>260,485</td>
<td>86,828</td>
<td>86,829</td>
<td>39,007</td>
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<td>Port Westward</td>
<td>5,376,019</td>
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<td>1,599,060</td>
<td>2,701,755</td>
<td>1,075,204</td>
<td>63,128</td>
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<td>Massachusetts</td>
<td>551,162</td>
<td>450,000</td>
<td>450,000</td>
<td>0</td>
<td>101,162</td>
<td>7,162</td>
<td>94,000</td>
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<tr>
<td>Partners</td>
<td>348,093</td>
<td>279,133</td>
<td>249,133</td>
<td>30,000</td>
<td>68,960</td>
<td>38,373</td>
<td>30,587</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>15,055,075</strong></td>
<td><strong>12,053,787</strong></td>
<td><strong>6,503,856</strong></td>
<td><strong>5,549,931</strong></td>
<td><strong>3,001,288</strong></td>
<td><strong>995,610</strong></td>
<td><strong>2,005,678</strong></td>
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</table>
UNEARNED CONTRACT REVENUE

All offset contract revenues received under the Oregon Program are restricted for selecting, contracting, acquiring, and managing offset contracts. Offset contract revenues are recognized in the period the offset contracts are obligated and management and oversight services are performed. Offset contract funds received but not yet obligated are recorded as unearned offset contract revenue. Unearned offset contract revenue is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
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<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$7,139,750</td>
<td>$4,819,778</td>
</tr>
<tr>
<td>Funds received</td>
<td>$2,704,080</td>
<td>$3,008,781</td>
</tr>
<tr>
<td>Funds obligated and revenue earned</td>
<td>($2,310,547)</td>
<td>($688,809)</td>
</tr>
<tr>
<td>Unearned offset contract revenue</td>
<td>$7,533,283</td>
<td>$7,139,750</td>
</tr>
</tbody>
</table>