

Great Lakes Protection Fund

From its inception through December 2003, the Fund has made a total of 198 grants and program related investments, representing a \$42.3 million commitment to

protecting
& restoring

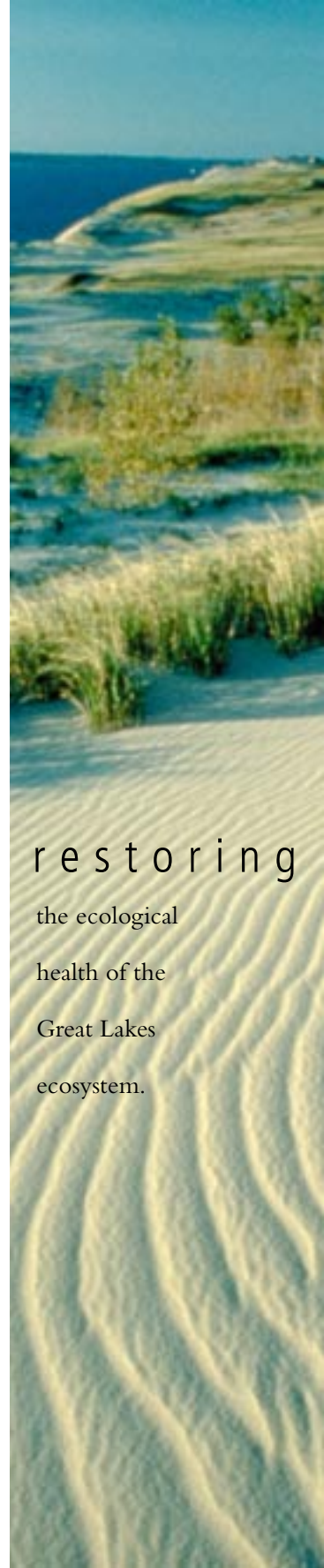
the ecological

health of the

Great Lakes

ecosystem.

2003 ANNUAL REPORT



In 1989, the Governors of the Great Lakes states created the Protection Fund to help them protect and restore their shared natural resources. The Fund is the first private endowment created to benefit a specific ecosystem. It is designed to support the creative work of collaborative teams that test new ideas, take risks, and share what they have learned. It is a source of support for groups that value innovation and entrepreneurship, learn by doing, and focus on tangible benefits for the Great Lakes ecosystem. Seven Great Lakes states have contributed \$81 million to the Fund's permanent endowment. The endowment is invested to produce income to support regional projects and funds for member states to use in support of their Great Lakes priorities.

The mission of the Great Lakes Protection Fund is to identify, demonstrate, and promote regional action to enhance the health of the Great Lakes ecosystem.

The Fund makes grants, loans, and program related investments to accomplish its mission. It relies on the advice of independent, technical experts to shape programming and review individual requests for support. From its inception through December 2003, the Fund made a total of 198 grants and program related investments, representing a \$42.3 million commitment to protecting and restoring the ecological health of the Great Lakes ecosystem. Additionally, the Fund has returned more than \$31.3 million to its seven member states to support their Great Lakes priorities.




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Background

Some 162 non-native species have established themselves in the Great Lakes ecosystem. The Great Lakes Panel on Aquatic Nuisance Species suggests that the single largest source of unintentional introductions is ocean vessels originating in foreign ports. Invasive species introductions and dispersal can also result from activities associated with the aquaculture industry, the aquarium trade, recreational boating, the bait business and some horticultural practices. Once introduced into the Great Lakes, many non-native species can then spread to inland lakes, rivers, wetlands and waterways, thus adding another dimension to the problem. Inland transport frequently occurs by way of barges, recreational watercraft, bait buckets, and other human-assisted transport mechanisms.

Ballast water is the leading vector for unintentional transfers of non-native species into the Great Lakes and other U.S. waters. It is estimated that over 21 billion gallons of foreign ballast water is discharged in U.S. ports every year. Ballast water can contain practically all organisms present in the harbor

from which the water was drawn. One Oregon study, for example, identified that ballast water released from a Japanese ship in a four-hour period contained 367 species.

Impacts from any one of these organisms could include loss of native biological diversity, degradation of the fishery and other recreational assets, increased maintenance of the basin's water supply infrastructure, and increased risk of human disease. The International Association for Great Lakes Research has identified the aquatic species invasions as "one of the greatest risks to the health and productivity" to the Great Lakes, and identified ballast water as "the highest prevention priority." Great Lakes invaders believed to be spread by ballast-mediated transport include the zebra mussel and the Eurasian ruffe.

The region's governors and premiers have agreed to work together to prevent the unauthorized introductions of nonindigenous aquatic species and to limit the spread and consequences of non-native species already introduced. The Great Lakes states manage the

U.S. portion of the Great Lakes, the rivers that feed and drain them, their shores, and the natural resources they support, in trust for the present and future residents of the region. The significance of the risks posed to the ecological health of the Great Lakes makes preventing these biological invasions a key element of these public trust responsibilities. The diversity of specific threats—aquaculture in other drainages, transport by ship from other continents, release by individual anglers or collectors—makes the design and implementation of management systems difficult. Yet the lack of a comprehensive international, bi-national or federal system that protects the interest of this region makes the design and implementation of a set of coordinated management systems essential.



Photo courtesy US Army Corps of Engineers, Jerry Bielicki

Ballast water is the leading vector for unintentional transfers of non-native species into the Great Lakes and other U.S. waters.

Past Programming

In 1996, the Great Lakes Protection Fund launched an initiative focused on preventing the ballast mediated transfer of non-native biota. The Fund's initiative on biological pollution builds upon the substantial body of work describing the impact of exotic species in the basin and the planning activities undertaken by state aquatic nuisance species panels.

The objectives of this initiative were three-fold:

1. To catalyze action—the design and implementation of prevention technologies that show how to keep the Great Lakes open to commerce but closed to non-native species.
2. To put Great Lakes Governors, states, shippers, academic institutions and industry in a leadership position in designing prevention technologies and strategies.

3. To begin to build the technical and scientific tools needed to identify and manage the risks associated with ballast mediated transport of non-native biota.

To meet these objectives the Fund supported a number of grants to install pollution prevention systems on working vessels, build an experimental platform dedicated to testing technologies that prevent the contamination of ballast water, assess the biological threats posed by ships entering the Great Lakes with no ballast on board and how those threats are addressed by current management practices, and to introduce ballast technologies to the investment community. Through 2002, the Fund's total investment in technology projects was \$4.129 million. The Board identified that the ballast water technology project would conclude

Today, there are over seventy technology trials underway—many using the technologies pioneered by our grantees.

when the solutions to ballast-mediated invasions received as much attention as the description of the consequences of invasion, and when the debate about the technologies to be employed moved to which technologies and when, rather than if, ballast treatment could/would be required.

We have reached that point.

When the Fund began this project, there was only a single similar effort that was begun the same year in Australia. Today, there are over seventy technology trials underway—many using the technologies pioneered by our grantees. The states of Michigan, Washington and California have passed ballast water management statutes. While the U.S. Coast Guard is still developing ballast water standards, the International Maritime Organization has adopted its first set of rules. Additionally, a number of states and citizen organizations have brought suit to compel the U.S. EPA to develop standards and permitting mechanisms for ballast water releases.



Photo: courtesy US Army Corps of Engineers, Jerry Bielicki

Next Opportunities

Even though the Great Lakes region has led the way in terms of developing and testing technology, we cannot defer to global and national efforts to manage the transfer of invasive aquatic species. The Great Lakes remain a unique resource, unlike other places that may be covered by future national or international ballast requirements. The lakes are freshwater systems and used as the source of drinking water for millions of people. Virtually all other areas impacted by ballast-mediated transfers of invasive species are on the ocean coasts and brackish or saline systems. Virtually no other areas are drinking water reservoirs.



Photo courtesy Michigan Travel Bureau, Carl Ter Haar

The Great Lakes region has the opportunity to continue to lead in the application of management systems to ensure that appropriate technologies are applied, and that the appropriate actors are engaged in the design and implementation of these management systems.

While some part of these management systems will undoubtedly be regulatory and beyond the scope of the Fund's programming, other portions will not be, and do not require regulatory standards or mechanisms to work effectively. Such systems include: codes of conduct and best management practices for ship owners and operators, environmental management systems for port authorities, supply chain management for those industries who depend on transoceanic vessels for the movement of their supplies or products, certification systems to distinguish companies that adopt best practices, and regional governance systems that target infrastructure investment at ecological outcomes.

The Great Lakes remain a unique resource, unlike other places that may be covered by future national or international ballast requirements.

All of these management systems depend on understanding what is to be managed, the range of choices available to the key players, and how to evaluate the likely consequences of those choices. The system to be managed—what goods are moved on transoceanic vessels, who owns those goods, who owns and/or operates the ships, what routes are traveled, and what threats the various combinations of goods, ships, and routes present to the health of the Great Lakes—has yet to be described in a useful fashion. The full set of management choices—ranging from how ships operate through how companies select vessels to how governments choose transportation infrastructure projects—has yet to be arrayed. The likely consequences of those choices—risks of new invasions, the costs and benefits of potential eradication programs, the costs and benefits of pollution prevention programs—have yet to be systematically presented and evaluated.

There is an increased interest in preventing introductions of aquatic nuisance species. The research community has identified research and management priorities. The U.S. Army Corps of Engineers is seeking stakeholder input on the importance of invasive species management in designing their fisheries support program. The region's Attorneys General are meeting to discuss how their offices might become involved in invasive species management. The International Joint Commission has begun to recommend various management strategies. The U.S. EPA has begun to evaluate its options to promote ballast water management. All of these institutions have approached the Fund seeking input or support.

New Efforts

In 2003, the Fund launched a new round of funding on invasive species management to take advantage of these opportunities. It was directed at the design and implementation of management systems to keep invaders out of the Great Lakes and built on the Governors pledge to “prevent the unauthorized introduction of non-indigenous aquatic species.” Fund support should lead to the implementation of management systems at various scales: from the ship itself, to the supply chain that the ship is part of, to the transportation system that makes the supply chain possible.

To explore what is possible on ships themselves, a team that includes scientists from the University of Michigan, the University of Windsor, Old Dominion University, the Great Lakes Environmental Research Laboratory, and McGill University; ship owners and operators; and industry experts will evaluate the effectiveness of ballast management practices on an operating vessel, and characterize the biological threat from several northern European ports that routinely trade with

the Great Lakes. This team will evaluate how the ballast management practices commonly followed when vessels are in the Great Lakes, can be used elsewhere to prevent ballast tank contamination before those vessels arrive here. Polish Steamship Lines, a major Great Lakes carrier, has offered this team access to one or more working vessels. This work will offer the first scientific characterization of what can be expected of management practices that do not require new technology or capital expenses by carriers.

A team led by the Northeast Midwest Institute will lay the groundwork to test how supply chain management can influence the transport of biological pollution. This team, which includes environmental groups, Great Lakes ports, and Great Lakes cities, will explore the nature of the Great Lakes ocean transport value chain, and identify how purchasing decisions can select carriers committed to superior ecological performance. The team hopes to produce a Great Lakes Clean Shipping Initiative that provides safe shipping choices to the businesses that move goods on ships.

Work by the National Academy of Sciences will explore how a design competition for the St. Lawrence Seaway transportation system can inform the inevitable investment of public funds to maintain, modify, or expand the system. A panel of experts will evaluate the nature of transoceanic trade in the Great Lakes, identify the best ways to engage the world's foremost design talent, and design an international competition for how the Great Lakes can remain open to world commerce but closed to invasive species. They hope to attract a range of creative ideas and select a set of options, which if implemented, will eliminate new introductions of invasive species.



Photo courtesy Minnesota Sea Grant, Tom Mack

A panel of experts will . . . design an international competition for how the Great Lakes can remain open to world commerce but closed to invasive species.

Future Directions

The Fund remains committed to supporting the work of innovative, collaborative teams that have concrete plans to improve the health of the Great Lakes ecosystem. It expects to continue to support work to prevent the introduction of invasive species. Other areas ripe for support include work to accelerate the restoration of the physical integrity of the Great Lakes basin, especially the connectivity and flow regimes of the basin's waterways. The Fund also remains interested in efforts that use market mechanisms to generate ecological improvements.

Most importantly, the Fund remains open to new ideas that hold the promise of improving the ecological condition of the basin. We welcome the chance to discuss these ideas with potential applicants.



Photo courtesy Derek Ekdorn

GRANTS AWARDED IN 2003

The Great Lakes Protection Fund's Board of Directors approved the following six projects, representing a \$1,847,000 investment in the future of the Great Lakes.

For more information, contact the project manager listed after each project.

American Rivers

\$75,000

American Rivers is leading a team working with Great Lakes communities to implement new strategies that simultaneously improve water quality while protecting and enhancing water quantity and natural flows. This team will test the hypothesis that management strategies that integrate water quantity and water quality objectives are more likely to obtain desired environmental outcomes. Initially, the team will work with three Great Lakes Communities to design pilot projects that illustrate how storm water can be a resource rather than a waste product. When implemented, these projects will demonstrate that non-structural approaches to storm water management are more efficient

and economical than traditional storm water management practices, and they result in more substantial ecological outcomes.

Contact: Betsy Otto
202. 347. 7550, Ext. 3033

Sommer Barnard Ackerson, Attorneys, PC

\$171,000

This project is designed to reduce the number of unauthorized releases of organisms into the waters of the Great Lakes. Specifically, the team hopes to have insurance companies begin to include elements of unauthorized release of biological pollution (URBP) risk management strategy as they review underwriting standards, structure and price various insurance products and provide incentives for actions to minimize the risks of introductions. As a result, the team expects to change behaviors not only of carriers operating on the Great Lakes, but shippers, port authorities and lock operators. This is phase one of a two-phase project, and it is designed to characterize the risks of invasive species introduction from major sectors in the basin, identify potential

areas of liability, and begin to brief leaders in the insurance industry on risk mitigation and financing options.

Contact: Bill Weeks
202. 833. 8833

Northeast-Midwest Institute

\$325,000

The ultimate goal of this project is to prevent the introduction of invasive species into the Great Lakes ecosystem by using market relationships in the water transportation system to prevent biological pollution. This outcome of this project is the first characterization of the waterborne transportation system in the Great Lakes as a biological materials transport system, the identification of control points in the transportation value chain, the development of control options and the identification of leaders who will act to put controls in place. A second phase effort will be designed to demonstrate the success of the control and management system.

Contact: Allegra Cangelosi
202. 464. 4007

Minnesota Sea Grant Program

\$246,000

Minnesota Sea Grant Program is leading a project team working to reduce the movement of aquatic nuisance species (ANS), fish pathogens, and parasites to uninfested waters by training federal, state, tribal and private resource managers, researchers, consultants, and enforcement personnel, and baitfish and stock fish private industry managers.

Contact: Jeffrey Gunderson
218. 726. 8715

University of Michigan

\$770,000

The University of Michigan will develop, test, and disseminate best management practices [BMPs] to minimize the transport and release of ANS from vessels with no ballast on board. These BMPs will build on the Shipping Federation of Canada's Code of Best Practices by addressing instances where "poor quality" ballast water is unavoidable, requiring flushing of all tanks (even when no ballast is on board (NOBOB)), and expanding the use of the BMPs throughout a ship's journey.

This subset of BMPs will be scientifically tested for effectiveness at controlling sediment accumulation and minimizing delivery of viable aquatic nuisance species ("ANS") to the Great

Lakes. Specifically, this project seeks to address ANS issues through examining the current ballast water BMPs for effectiveness and testing expansion of the BMP to additional aspects of the shipping cycle.

Contact: Thomas H. Johengen
734.764.2426

National Academy of Sciences

\$260,000

The NAS project team will identify transportation options for the Great Lakes region that promote international commerce while virtually eliminating the threat of introduction of exotic species. They will plan a competition for the design of the St. Lawrence Seaway that allows the movement of cargo while preventing the introduction of exotic species.

Contact: Stephen Godwin
202.334.3261



Photo courtesy United States Environmental Protection Agency, Karen Rodriguez

A P P L I C A T I O N P R O C E D U R E S

Individuals, not-for-profit organizations, government agencies, and businesses which have identified a significant regional opportunity to improve the health of the Great Lakes and have a pragmatic plan to exploit that opportunity are encouraged to apply to the Fund for support. The Fund also welcomes projects that are designed to test, manage, or demonstrate how certain “master variables” when acted upon, will result in tangible improvements to the health of the Great Lakes ecosystem.

The first step in the Fund’s formal review process is the submission of a brief preproposal that summarizes the proposed project. The Fund will accept preproposals at any time. After a favorable evaluation of a preproposal by a committee of the Fund’s Board of Directors, a full project proposal is invited. Fund staff and independent technical experts review all proposals. The Fund’s Board of Directors expects to make award decisions at their March, June, September and December meetings.

Complete funding guidelines can be obtained from the Fund’s office or found at the Fund’s website:
www.glpf.org.

STATE SHARES REPORT

In addition to the Fund's support of regional projects, one third of the corporation's net earnings are paid to member states in proportion to their share of the permanent endowment. Each state uses its share to support local projects that are consistent with that state's Great Lakes priorities. Additional information, including funding guidelines and application procedures can be obtained from the individuals listed to the right:

Illinois

Rick Coffman
217. 524. 9914

Michigan

Emily Finnell
517. 241. 7927

Minnesota

John Wells
800. 657. 3794

New York

Donald Zelazny
716. 851. 7220

Ohio

Jill Woodyard
419. 245. 2514

Pennsylvania

Lori Boughton
814. 332. 6816

Wisconsin

Kim Walz
608. 264. 9220

STATEMENTS OF FINANCIAL POSITION

December 31, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	\$ 4,630,045	\$ 6,550,499
Receivable from broker for sales of securities	73,369	17,612
Investments	107,947,231	88,426,849
Accrued interest	162,495	261,082
Other assets	15,956	17,993
Equipment and improvements (net of accumulated depreciation of \$171,445 and \$141,369 in 2003 and 2002)	109,071	132,561
	\$ 112,938,167	\$ 95,406,596
Liabilities and Net Assets		
Liabilities		
Member state shares	\$ 1,649,291	\$ —
Liability to brokers for purchase of securities	274,192	238,773
Accrued expenses	132,218	169,144
Accrued pension contribution	3,465	3,883
	2,059,166	411,800
Net assets		
Unrestricted	27,352,013	11,467,808
Permanently restricted	83,526,988	83,526,988
	110,879,001	94,994,796
	\$ 112,938,167	\$ 95,406,596

See accompanying notes.

STATEMENTS OF ACTIVITIES

Years ended December 31, 2003 and 2002

	2003			2002		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Revenue						
Investment (loss) income	\$ 6,420,841	\$ —	\$ 6,420,841	\$ (5,122,353)	\$ —	\$ (5,122,353)
	6,420,841	—	6,420,841	(5,122,353)	—	(5,122,353)
Expenses						
Program grants	3,471,046		3,471,046	3,711,265		3,711,265
Member state shares	1,649,291		1,649,291			
Investment management and advisory fees	422,097		422,097	392,625		392,625
Administrative expenses	1,050,871		1,050,871	1,140,615		1,140,615
	6,593,305	—	6,593,305	5,244,505	—	5,244,505
Decrease in net assets before unrealized gain (loss) on investments						
Unrealized gain (loss) on investments	(172,464)	—	(172,464)	(10,366,858)	—	(10,366,858)
	16,056,669		16,056,669	(12,455,351)		(12,455,351)
Increase (decrease) in net assets						
Net assets	15,884,205	—	15,884,205	(22,822,209)	—	(22,822,209)
Beginning of year	11,467,808	83,526,988	94,994,796	34,290,017	83,526,988	117,817,005
End of year	\$ 27,352,013	\$ 83,526,988	\$ 110,879,001	\$ 11,467,808	\$ 83,526,988	\$ 94,994,796

See accompanying notes.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002

	2003	2002
Operating activities		
Increase (decrease) in net assets	\$ 15,884,205	\$ (22,822,209)
Depreciation	30,075	30,145
Realized (gain) loss on sales of investments	(3,841,328)	7,845,524
Unrealized (gain) loss on investments	(16,056,669)	12,455,351
Changes in:		
Accrued interest	98,587	78,923
Other assets	2,037	(3,621)
Grant commitments		(95,000)
Member state shares	1,649,291	(220,529)
Accrued expenses	(36,926)	(135,856)
Accrued pension contribution	(418)	(8,889)
Net cash used in operating activities	(2,271,146)	(2,876,161)
Investing activities		
Purchases of investments	(111,684,173)	(90,665,021)
Proceeds from sales of investments	112,041,450	92,522,509
Purchases of equipment and improvements	(6,585)	(5,987)
Net cash provided by investing activities	350,692	1,851,501
Net cash provided by financing activities	—	—
Decrease in cash and cash equivalents	(1,920,454)	(1,024,660)
Cash and cash equivalents		
Beginning of year	6,550,499	7,575,159
End of year	\$ 4,630,045	\$ 6,550,499

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2003 and 2002

Note 1 – Nature of Activities and Significant Accounting Policies

Great Lakes Protection Fund (the “Fund”) is a nonprofit organization designed to have as its members the governors of the eight states bordering on the Great Lakes. Seven of the states have joined the fund and have made contributions, as specified in the Fund’s articles of incorporation, to establish their membership in the Fund. Income earned on the contributions is used to provide grants which finance projects advancing the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement, so as to advance the health of the ecosystem of the Great Lakes Basin.

The Fund is exempt from income taxes under Section 115(1) of the Internal Revenue Code and applicable state law.

Basis of Accounting—Under U.S. generally accepted accounting principles, not-for-profit organizations report net assets in each of the three classes: permanently restricted, temporarily restricted, or unrestricted based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents—For purposes of the statements of cash flows, the Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Fund maintains its cash accounts at a financial institution, which at times, may exceed \$100,000. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Fund has not experienced any losses in such accounts. Management believes that the Fund is not exposed to any significant credit risk on cash and cash equivalents.

Investments—Investments are reflected at current market value. Realized gains for mutual funds are computed using the specific-identification method. Realized gains for all other investments are computed using the first-in, first-out method.

Equipment—Equipment is stated at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets.

Use of Estimates—The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

Note 2 – Investments

Investments consist of the following:

	2003	
	Cost	Market
Bond mutual funds	\$ 28,171,396	\$ 29,069,134
Common stocks and stock equivalents	77,369,660	78,878,097
	<u>\$ 105,541,056</u>	<u>\$ 107,947,231</u>
	2002	
	Cost	Market
U.S. Government bonds and notes	\$ 11,637,509	\$ 12,094,594
Corporate bonds	15,268,127	16,250,083
Common stocks and stock equivalents	75,235,961	60,082,172
	<u>\$ 102,141,597</u>	<u>\$ 88,426,849</u>

The market value of the investments was based on quoted market prices at the respective year-ends.

Note 3 – Member State Shares

In accordance with the articles of incorporation, the Fund is required to disburse to the member states one-third of its realized investment income after deducting operating expenses. Amounts paid to the states are to be used for the furtherance of the Fund’s activities and are allocated on the basis of the amount and time the states’ contributions were invested by the Fund.

Note 4 – Grants Committed

Grant activity for 2003 and 2002 is as follows:

	Grants Approved	Grants Paid	Grants Committed at December 31
2003	\$ 1,847,000	\$ 3,440,046	\$ —
2002	3,438,000	3,661,678	

As of December 31, 2003, total grants approved since the Fund’s inception amounted to \$42,535,213, of which \$4,157,591 related to grants for which the contingencies have not been met and, therefore, the grant expenses have not been recognized. Upon satisfaction of the contingencies by the recipients, the Fund will recognize the grant expenses and disburse the remaining payments.

Note 5 – Permanently Restricted Net Assets

Permanently restricted net assets represent the contributions received from member states in accordance with the Fund's articles of incorporation, along with interest on delayed payments. These amounts cannot be expended.

With the exception of Indiana, all states have made their required contributions, which were as follows:

Illinois	\$ 15,000,000
Michigan	25,000,000
Minnesota	1,500,000
New York	12,000,000
Ohio	14,000,000
Pennsylvania	1,500,000
Wisconsin	12,000,000
	\$ 81,000,000

There is no due date for the contribution payable by Indiana, which has not yet joined the Fund.

In accordance with its articles of incorporation, the Fund charges interest to states electing to extend the time to make the required contributions. No such interest was charged in 2003. No interest is due from the state of Indiana until such time as it elects to join the Fund and to determine the time to make its required contributions.

Note 6 – Commitments

The Fund is obligated under an office lease expiring in December 2010.

Rent expense totaled \$118,866 and \$116,709 for 2003 and 2002, respectively.

Minimum payments required under the lease are as follows:

2004	\$ 114,239
2005	116,184
2006	118,128
2007	120,073
2008	122,017
Thereafter	249,869
	\$ 840,510

Note 7 – Retirement Plan

The Fund maintains a retirement plan under the provisions of the Internal Revenue Code applicable to governmental retirement plans. All employees are eligible to participate upon commencement of employment. The Fund makes contributions equal to 10 percent of each employee's compensation. Employees cannot contribute to the plan. The Fund contributed \$45,333 and \$48,556 to the plan for 2003 and 2002, respectively.

Independent Auditors' Report

To the Board of Directors of Great Lakes Protection Fund:

We have audited the statements of financial position of Great Lakes Protection Fund (the "Fund") as of December 31, 2003 and 2002 and the statements of activities and of cash flows for the years then ended. The financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Protection Fund as of December 31, 2003 and 2002 and its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Altschuler, Melvoin and Glasser LLP
Chicago, Illinois
February 13, 2004

MEMBERS OF THE CORPORATION AND BOARD OF DIRECTORS

Members of the Corporation

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James E. Doyle
Governor of Wisconsin

Jennifer M. Granholm
Governor of Michigan

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Governor of New York

Tim Pawlenty
Governor of Minnesota

Edward G. Rendell
Governor of Pennsylvania

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The Fund would like to acknowledge the contributions of Jolie Krasinski, Medine Krupin, and Scudder Mackey who have since left the Fund.



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