

Chief Sophie Pierre

Secretary/Treasurer



Sophie Pierre is the elected Chief of the St. Mary's Indian Band and Administrator for the Ktunaxa/Kinbasket Tribal Council. Previously she served as Chief of the St. Mary's Indian Band for a decade from 1978 - 1988, and Councillor 1988 - 1992. Chief Pierre has been instrumental in the quest to resolve land claims in B.C, has been involved in the work of the British Columbia Claims Task Force, and was co-chair of the First Nations Summit. She has served on a number of Boards and committees. Currently Chief Pierre is Chairperson of the Board of Regents for the Ktunaxa Independent School System, a board member of BC Hydro Power Authority and Chairperson of the St. Eugene Mission Development Board. In the past, she has been an executive member of the First Nations Congress, a board member of the Native Courtworkers and Counselling Association, a board member of UNESCO - Decade for culture, and a board member and Chairperson of the College of the Rockies. Chief Pierre has been an associate instructor in the Administration of Aboriginal Governments Program at the University of Victoria.

Chief Pierre was recipient of the 2003 National Aboriginal Achievement Award for Public Service and in June 1994 was awarded the Order of British Columbia.



Alexander Cope

Director

A member of the Millbrook First Nation, located in Truro, Nova Scotia, Alexander Cope is presently serving his sixth 2-year term as Band Councillor. Alex graduated from the University of New Brunswick in 1991 with a Bachelor Business Administration and currently holds the position of Band Administrator for the Millbrook First Nation. Alex also serves on the Board of the Chignecto Central School Board, the Millbrook Gaming Commission, Millbrook Economic Development Corporation and the Millbrook Housing Authority.



Chief Robert Sam

Director

Chief Robert Sam attended residential school in Kamloops before moving to St. Louis College for Boys in Victoria. He has attended the University of Victoria. Robert Sam was elected Chief of the Songhees First Nation in June 1996 and re-elected in June 2000 and again in 2003. He was elected Councillor numerous times since the 1960's. Chief Sam is the Chief Negotiator for the Songhees Nation for Treaty Negotiations and is a Committee Member of the AFN's Chief's Committee on Treaties. Chief Sam has worked in the area of economic development in Prince George for the Carrier Sekani people. As Chief of his community Robert was the driving force in developing the local government bylaws including taxation and fire protection. He successfully negotiated a local education agreement with the Victoria School Board.

In addition to his duties as Chief, Chief Sam currently runs a garbage disposal business and employs local people. As a strong community member, he has been involved with the Songhees Canoe Club and owns Lekwammen Chief, an eleven man War Canoe. Chief Sam is active with the Songhees Youth Group and trains the youth in canoe paddling for canoe races.

Chief Sam's strong cultural beliefs guide his leadership style.



CONTENTS

Directors and Members	3
President's Report	5
Auditors' Report	9
Financial Statements	10
Notes to Financial Statements	12
Schedule of Investments	14
How the FNFA Functions	17
Director's Profiles	19

A photograph of a sunlit forest path. The sun is shining through the trees, creating a bright, hazy glow in the center of the image. The path is covered in fallen leaves and ferns. The trees are tall and thin, with dense foliage. The overall atmosphere is peaceful and serene.

*To accomplish
great things
we must begin
with a vision.*

DIRECTORS



Deanna Hamilton
President/C.E.O



Chief Joe Hall
Vice President



Chief Sophie Pierre
Secretary/Treasurer



Chief Robert Sam
Director



Alexander Cope
Director

MEMBERS

Adams Lake Indian Band
Bonaparte Indian Band
Chawathil Indian Band
Chemainus First Nation
Ch-ihl-kway-uhk Tribe Society
Columbia Lake First Nation
Cowichan Tribes
Greater Massett Development Corporation
Kamloops Indian Band
Kwakiutl-Laich-Kwil-Tach Nations Treaty Society
Kwaw Kwaw A Pilt Band Taxation
Lakahahmen Band Taxation
Lower Kootenay Band
Matsqui Band Taxation
Matsqui First Nation
Millbrook First Nation
Namgis First Nation
Old Massett Village Council

Seabird Island Indian Band
Skowkale Band Taxation
Sliammon Taxation Authority
Songhees Indian Band
Songhees Indian Band & Esquimalt First Nation Trust
Squiala First Nation
St. Mary's Band
Sto:lo Nation Investment
T'it'q'et
Te'mexw Treaty Association
Tsawout First Nation
Tsawwassen First Nation
Tzeachten Band Taxation
Tzeachten First Nation
Westbank First Nation
Westbank First Nation Taxation
White Bear First Nation

CONSULTANTS

Municipal Finance Authority of B.C., Victoria, B.C.

AUDITORS


KPMG LLP, Victoria, B.C.

GENERAL LEGAL COUNSEL

Micha J. Menczer, Vancouver, B.C.

SENIOR POLICY ADVISOR

T.J. Raybould, Westbank, B.C.

A scenic view of a rocky stream flowing through a forest with vibrant yellow autumn foliage. The stream is composed of several small cascades over dark, mossy rocks. The surrounding trees and ground are covered in fallen yellow and orange leaves, creating a warm, autumnal atmosphere. The text is centered in the upper half of the image.

*With the
proper tools
we enhance our
possibilities*

PRESIDENT'S REPORT



TO THE MEMBERS OF THE FIRST NATIONS FINANCE AUTHORITY

I am very pleased to report that after many long years and a lot of hard work by many dedicated individuals, the legislation establishing the First Nations Finance Authority (the "FNFA") as a statutory body finally became law in 2005. Bill C-20, *The First Nations Fiscal and Statistical Management Act (the "Act")* received all-party support in Parliament and was assented to on March 23rd, 2005. For those of us that were lucky enough to be on hand in Ottawa for the historic occasion it was truly rewarding and very emotional to hear the kind words of support for this important piece of legislation. Now the real work begins!

It is anticipated the *Act* will come into force April 1, 2006. Our short term focus is to be ready for coming into force, and the transition from FNFA Inc. to operating as a statutory company under our own unique legislation. This involves, among other activities, a complete and thorough review of the company's bylaws and the transferring of all of the assets and liabilities of FNFA Inc. to FNFA. This work is progressing steadily and is on track.

Following the coming into force, the existing Board of Directors, in accordance with the *Act*, will continue on as Directors until the first

Members' meeting. At the first meeting of Members a new Board will be elected. The FNFA is indebted to the individuals that have sat on the Board of the FNFA. Without your dedication and support the FNFA would not now be a reality. I wish to thank each and every one of the directors individually, some of whom have been on the Board from day one, for your vision, hard work and conviction.

The FNFA was conceived by forward thinking community leaders who saw the need for a vehicle to raise low cost capital on the bond markets to build infrastructure in support of economic development on-reserve. These individuals have stuck with the project from those early days in the first half of the 1990s. While to some it may seem a bit odd for people to feel so passionately about public financing, the truth is for those of us that have lived, worked or been responsible for governing reserves, the FNFA can, and will, make a huge difference to the quality of life for our people. With good governance, clear revenue raising powers and the ability to borrow collectively and pool our borrowing requirements, small and large First Nations alike, will be able to develop their economies and make a better future for their communities. Without capital you can't grow.

Thank you once again to the current Board, Chief Joe Hall, Chief Sophie Pierre, Chief Robert Sam and Councillor Alexander Cope for your leadership and vision. Thank you too, to the past Directors, Chief Robert Louie, former Chiefs, Chief Brian Eli, Chief Ronald Derrickson and Chief Garry Albany for your contribution to our future. In the months and years ahead, future Boards of the FNFA will, as it is today, consist of elected First Nation representatives.

Our medium term focus, once the transition to the statutory Authority has been concluded, is to proceed quickly to issuing our first property tax backed investment grade bonds. In order to offer our borrowing services to First Nations that are scheduled to the *Act* the other institutions created under the *Act* need to be operational. *The First Nations Fiscal and Statistical Management Act*, provides for three other institutions in addition to the FNFA, the First Nations Tax Commission (FNTC), The First Nations Financial Management Board (FMB), and the First Nations Statistical Institute (FNSI). First Nations that will participate in property tax backed bonds will be certified by the FMB and have their borrowing laws approved by the FNTC. Both these two institutions have been working hard to be ready to provide the services that are required under the *Act*. The timing of the first FNFA issue will be dependent on when we receive and can batch FNTC approved Borrowing Laws from the Members following certification by the Financial Management Board. The FNFA staff and Board will continue to work with the other institutions and Canada to ensure these institutions are up and running as quickly as possible to service the needs of the FNFA and our Members.

In addition to the *Act*, there are a number of federal regulations that need to be made for the institutions to operate. There are two regulations directly related to the FNFA's operations; one dealing with replenishing the Debt Reserve Fund (DRF) and one addressing permitted short-term investments. The first, regarding the DRF, sets out the formula for how the DRF will be replenished in the event that the Members are ever collectively called upon to top it up; as well

as how the monies collected will be paid back by the Member who caused the DRF to be drawn down in the first place. The second regulation concerning permitted short-term investments ensures that if the FNFA continues to elect to invest its Members' monies in the pooled investment funds of the Municipal Finance Authority of BC (the "MFA") the FNFA can do so. The FNFA regulations will come into force on the same day as the FNFA does, April 1st 2006. During the course of 2005 there was a series of public consultation sessions and meetings with stakeholders on the draft regulations. We appreciate the feedback received.

As we move forward with the borrowing program we will continue to provide investment services. Part of the transition to the statutory Authority has involved transferring control of the investment pools to the new body. First Nation organizations that have invested in these funds will continue to receive the same benefits and services as before. With the investment regulation in place we will still be participating in the MFA pools. The benefit of these pools is the low management fees reflecting the total size of the pools. For low risk investing in safe money market products, low fees make a big difference to overall returns. Pooled investing has been available since 1995.

In the longer term, we are looking at establishing Borrowing pools that go beyond property tax and have an independent credit rating. There has been a lot of talk in recent months regarding the need for on-reserve housing and other investments. The 'Kelowna Accord' signed in November by the Premiers, Canada and aboriginal organizations sets out a blueprint for moving forward to improve the lives of aboriginal peoples. Financing of housing and related infrastructure is an important component of this work. The FNFA, for its part, has been exploring options for issuing housing bonds to raise capital to meet part of the staggering need in our communities. We will continue to work on this front as the 'Kelowna Accord' is implemented.

There has also been interest in the FNFA from communities that are no longer governed under the *Indian Act* and are a party to self-government or land claims agreements. In both the case of self-governing First Nations or for other borrowing schemes, such as for housing, federal regulations will need to be developed. Discussions are ongoing with Canada and interested First Nation as we explore the types of services our communities need and what we might provide through the FNFA. We look forward to being a borrowing vehicle of choice for First Nations' governments and their organizations as other needs are identified and where our model can work.

Finally, it is appropriate in this pivotal year that we thank and remember all the people that have helped to make the FNFA possible. I want to thank all those that have supported the FNFA in our efforts and my apologies if I miss anyone. These types of initiatives can not succeed without the support of dedicated people. Firstly, I'd like to thank my colleague and friend Jim Craven, former Executive Director of the MFA, for his support when the FNFA was only an idea; a man of many talents and dedicated to making the lives of ordinary Canadians better. Thanks also to the current Executive Director of the MFA, Steve Berna and his staff, whose continued assistance has ensured the long partnership between the FNFA and MFA continues to be as strong as ever. Thank you to the various Boards of the MFA for your support over the years for our vision and helping First Nation governments achieve the same type of access to public debt financing that your communities enjoy. Special thanks to former Chairs Dan Cumming and the late Len Traboulay and to the current Chair, Frank Leonard. I would also like to thank my long term staff member, Pam Severson, and our policy advisor Tim Raybould; both of whom have been with FNFA Inc. since our inception. This year we added one new face to our office, Joseph Linkevic. Thank you to Micha Menczer our general legal counsel and to Ray Bryant who assisted us in our initial years, as well as Larry Blain, formerly of RBC Dominion Securities.

We should not forget to mention the individuals in the federal government that have helped to make the FNFA a reality. We would especially like to thank Dominique Collin, Gordon Shanks, Stewart Swanson, Brenda Kustra and Sheila Dubyk. Often overlooked, the efforts of the legislative drafters should not be forgotten. Thank you Paul Salembier and Karl Jacques. Thank you to all our colleagues at the other three institutions, and especially Manny Jules, Strater Crowfoot, Harold Calla and Chief Tom Bressette. There are of course, numerous politicians, both federal and First Nation who have supported this initiative, including the current Minister of Indian Affairs, Mr. Jim Prentice who was opposition critic when the Bill went through the House. A special thanks is also due to National Chief Phil Fontaine of the Assembly of First Nations for his support. Thank you to all who have made this possible.

Finally, it is important to reflect on the journey so far. Legislation such as ours should be apolitical as Canada comes to grips with reestablishing national First Nation institutions to support our communities as they break out from under the Indian Act and move towards self-government. This is why, at the end of the day, all-party support for our Bill was critical. There are many challenges that lie ahead for First Nations. Not everyone will agree on a direction. Building institutions of governance through working together is, for many First Nations, one part of a long journey. Through our efforts the FNFA hopes to play a small but significant part in helping our communities help themselves to achieve economic prosperity and improve the quality of life they deserve and that all Canadians should expect.



Deanna Hamilton
President/C.E.O.



*A strong sense
of community
starts a journey.*

AUDITORS' REPORT

TO THE UNITHOLDERS OF THE FIRST NATIONS FINANCE AUTHORITY INC.

Pooled Investment Funds

We have audited the statements of net assets of the Money Market Fund and the Intermediate Fund of the First Nations Finance Authority Inc. (the "FNFA") as at December 31, 2005 and 2004 and the statements of operations and unitholders' equity of each of these Funds for the years then ended. These financial statements are the responsibility of the FNFA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 management, 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 these Funds as at December 31, 2005 and 2004 and the results of their operations and the changes in their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Victoria, Canada
February 10, 2008

FIRST NATIONS FINANCE AUTHORITY INC.

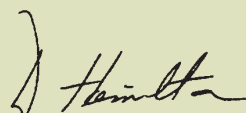
Pooled Investments – Statements of Net Assets

December 31, 2005 and 2004

	Money Market Fund		Intermediate Fund		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash	\$ 104	\$ 165	\$ 907	\$ 1,459	\$ 1,011	\$ 1,624
Investments (note 2)	3,941,112	3,502,137	5,212,946	6,255,594	9,154,058	9,757,731
Subscription receivable	–	–	4,763	–	4,763	–
	3,941,216	3,502,302	5,218,616	6,257,053	9,159,832	9,759,355
Liabilities						
Accrued management fees	504	433	944	1,105	1,448	1,538
Unitholder payable	4,142	3,968	4,337	2,659	8,479	6,627
	4,646	4,401	5,281	3,764	9,927	8,165
Net assets and unitholders' equity						
	3,936,570	3,497,901	5,213,335	6,253,289	9,149,905	9,751,190
	\$ 3,941,216	\$ 3,502,302	\$ 5,218,616	\$ 6,257,053	\$ 9,159,832	\$ 9,759,355

See accompanying notes to financial statements.

Approved by the Director



Director

FIRST NATIONS FINANCE AUTHORITY INC.

Pooled Investments – Statements of Operations and Unitholders' Equity

December 31, 2005 and 2004

	Money Market Fund		Intermediate Fund		Total	
	2005	2004	2005	2004	2005	2004
Investment Income						
Interest income	\$ 104,532	\$ 91,446	\$ 162,434	\$ 138,121	\$ 266,966	\$ 229,567
Less management fees	5,752	5,767	11,229	12,603	16,981	18,370
	98,780	85,679	151,205	125,518	249,985	211,197
Gain (loss) on Investments						
Net realized gain (loss)	–	–	(5,144)	1,531	(5,144)	1,531
Net unrealized gain (loss)	–	30	(30,948)	37,196	(30,948)	37,226
Net gain (loss) on investments	–	30	(36,092)	38,727	(36,092)	38,757
Net Earnings Distributed	98,780	85,709	115,113	164,245	213,893	249,954
Net Assets and Unitholders' Equity						
Units outstanding, beginning of the year	3,497,900	4,662,192	6,253,289	6,089,044	9,751,189	10,751,236
Units subscribed	689,890	–	–	–	689,890	–
Distributions reinvested	98,780	85,709	115,095	164,245	213,875	249,954
Units redeemed	(350,000)	(1,250,000)	(1,155,049)	–	(1,505,049)	(1,250,000)
Units Outstanding, End of the Year	\$ 3,936,570	\$ 3,497,901	\$ 5,213,335	\$ 6,253,289	\$ 9,149,905	\$ 9,751,190

See accompanying notes to financial statements.

FIRST NATIONS FINANCE AUTHORITY INC.

Pooled Investments – Notes to Financial Statements

December 31, 2005 and 2004

First Nations Finance Authority Inc. (the “FNFA”) was incorporated February 13, 1995 under the Canada Business Corporation Act and operates as a federally incorporated entity to provide investment pooling arrangements and to develop borrowing capacity for First Nations governments. The FNFA, through an agreement with the Municipal Finance Authority of British Columbia (the “MFA”), acts as a non-assignable corporate investment vehicle contracting with the MFA for the provision of investment services for FNFA unitholders. The operations of the funds are monitored by a FNFA Investment Committee appointed from various First Nations governments.

1. Significant accounting policies

The FNFA invests monies received from unitholders in two pooled investment funds administered by the MFA:

- Money Market Fund; and
- Intermediate Fund.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata, with all other units from time to time issued and outstanding. Units are issued or redeemed at \$1,000 per unit.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the financial statements.

(a) Money Market Fund:

- (i) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value.
- (ii) Interest income is recognized as earned.
- (iii) Management fees are accrued daily at the rate of 3/20 of 1% per annum of the net assets of the fund and are paid monthly to the MFA.
- (iv) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

(b) Intermediate Fund:

- (i) Investments are carried at market values which are determined as follows:
 - Bonds and debentures - at the quoted mid-market value.
 - Treasury bills, short-term notes, etc. - at amortized cost which approximates mid-market value.
- (ii) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.
- (iii) Interest income is recognized as earned.
- (iv) Management fees are accrued weekly and at month end at the rate of 1/5 of 1% per annum of the net assets of the fund and are paid monthly to the MFA.
- (v) Net earnings from operations are distributed to unitholders weekly and at month end as additional units of the fund.
- (vi) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

FIRST NATIONS FINANCE AUTHORITY INC.

Pooled Investments – Notes to Financial Statements

December 31, 2005 and 2004

2. Investments

The investments held by the FNFA represent their unitholders proportionate share of securities invested in the Money Market Fund and Intermediate Fund administered by the MFA's Pooled Investment Funds.

As at December 31, the Money Market Fund and Intermediate Fund of the MFA held the following securities:

	2005		2004	
	Money Market Fund	Intermediate Fund	Money Market Fund	Intermediate Fund
Bankers' acceptance	12.06%	–	2.75%	–
Corporate bonds, coupons and notes	1.45%	39.51%	2.23%	–
Government of Canada treasury bills	31.86%	58.27%	32.38%	86.93%
Commercial paper	54.63%	–	62.64%	13.07%
Government of Canada federal bonds	–	2.22%	–	–
	100%	100%	100%	100%

The investments of the FNFA unitholders represent approximately 0.3% (2004 - 0.4%) of the Money Market Fund and 3.1% (2004 - 5.6%) of the Intermediate Fund administered by the MFA's Pooled Investment Funds.

3. Management Fees

A portion of management fees paid to the MFA is attributable and paid to the FNFA general operating fund by the MFA. In 2005, management fees of \$3,620 (2004 - \$3,979) were paid to the FNFA general operating fund through the MFA.

FIRST NATIONS FINANCE AUTHORITY INC.

Money Market Fund – Schedule of Investments (Schedule 1)

(Reproduced from the annual report of the Municipal Finance Authority of B.C.)

December 31, 2005

THOUSANDS OF DOLLARS	MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT-TERM INVESTMENTS				
Treasury Bills				
Canada Treasury Bill	April 6, 2006	85,000	84,287	
Canada Treasury Bill	May 4, 2006	237,100	234,403	
Canada Treasury Bill	June 29, 2006	47,000	46,170	
		369,100	364,860	31.86%
Bankers' Acceptance				
Canadian Imperial Bank of Commerce	February 10, 2006	30,000	29,892	
Canadian Imperial Bank of Commerce	February 17, 2006	21,300	21,208	
Bank of Montreal	March 16, 2006	10,000	9,930	
Desjardins Acceptance Bank	March 15, 2006	16,000	15,889	
Royal Bank of Canada	February 3, 2006	3,100	3,091	
Royal Bank of Canada	February 10, 2006	10,500	10,462	
Royal Bank of Canada	February 21, 2006	39,000	38,817	
National Bank of Canada	February 21, 2006	8,900	8,858	
		138,800	138,147	12.05%
Discount Commercial Paper				
Bank of Montreal	February 15, 2006	4,000	3,984	
Bank of Montreal	March 10, 2006	12,400	21,177	
Bank of Montreal	March 17, 2006	29,250	24,880	
Bank of Nova Scotia	February 8, 2006	21,250	5,016	
Bank of Nova Scotia	February 22, 2006	25,000	12,321	
Bank of Nova Scotia	March 13, 2006	5,050	29,042	
Bay Street Funding Trust	March 8, 2006	23,850	23,702	
Caisse Centrale desjardins	January 25, 2006	9,075	9,055	
Caisse Centrale desjardins	March 1, 2006	12,000	11,934	
City Group Finance Canada Ltd.	February 17, 2006	7,900	7,866	
City Group Finance Canada Ltd.	February 23, 2006	13,100	13,036	
City Group Finance Canada Ltd.	March 8, 2006	6,000	5,962	
Congress Financial Corporation (Canada)	February 1, 2006	5,000	4,986	
Diversified Trust	February 2, 2006	34,000	33,903	
Diversified Trust	March 1, 2006	11,600	11,536	
Enbridge Inc.	February 17, 2006	23,400	23,298	
Enbridge Inc.	March 16, 2006	3,600	3,574	

FIRST NATIONS FINANCE AUTHORITY INC.

Money Market Fund – Schedule of Investments (Schedule 1) cont'd

(Reproduced from the annual report of the Municipal Finance Authority of B.C.)

December 31, 2005

THOUSANDS OF DOLLARS	MATURITY DATE	PAR	MARKET	% OF TOTAL
HSBC Bank of Canada	June 19, 2006	32,000	31,453	
HSBC Bank of Canada	March 21, 2006	5,750	5,707	
HSBC Bank of Canada	February 23, 2006	13,600	13,533	
Macro Trust	February 7, 2006	14,900	40,778	
Manulife Bank of Canada	February 28, 2006	41,000	14,850	
McCain Finance (Canada) Ltd.	February 21, 2006	19,500	19,407	
McCain Finance (Canada) Ltd.	March 22, 2006	1,500	1,488	
Plaza Trust	March 17, 2006	22,375	22,214	
Plaza Trust	March 20, 2006	7,000	6,947	
Safe Trust	February 3, 2006	10,000	9,971	
Safe Trust	February 9, 2006	22,300	22,221	
Safe Trust	March 16, 2006	10,000	9,929	
Smart Trust	February 15, 2006	23,000	25,527	
Storm King Funding Trust	March 15, 2006	20,000	22,906	
Storm King Funding Trust	March 20, 2006	11,800	19,861	
Summit Trust Series 'A'	February 2, 2006	25,600	11,712	
Terasen Gas Inc.	January 24, 2006	10,000	29,912	
Terasen Gas Inc.	January 30, 2006	14,000	14,695	
Toronto Dominion Bank	February 3, 2006	30,000	9,979	
Toronto Dominion Bank	March 17, 2006	14,800	13,964	
Vancouver City Savings Credit	February 13, 2006	18,750	18,676	
Vancouver City Savings Credit	March 13, 2006	4,000	3,973	
Wells Fargo Financial Canada Corp.	January 27, 2006	10,800	10,773	
		629,150	625,748	54.64%
Total Short-term Investments		1,137,050	1,128,755	98.55%
Corporate Bonds				
Capital Canada Receivable Trust	May 15, 2006	16,500	16,560	1.45%
TOTAL INVESTMENTS PORTFOLIO		1,153,550	1,145,315	100.00%

FIRST NATIONS FINANCE AUTHORITY INC.

MFA Intermediate Fund – Schedule of Investments (Schedule 2)

(Reproduced from the annual report of the Municipal Finance Authority of B.C.)

December 31, 2005

THOUSANDS OF DOLLARS	MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT-TERM INVESTMENTS				
Treasury Bills				
Canada Treasury Bill	June 15, 2006	11,300	11,116	
Canada Treasury Bill	May 4, 2006	30,300	29,943	
Canada Treasury Bill	November 30, 2006	58,745	56,712	
Total Short-term Investments		100,345	97,771	58.27%
CANADIAN BONDS				
Federal Bonds				
Government of Canada	December 1, 2006	3,735	3,725	2.22%
Corporate Bonds				
Anderson Exploration Ltd.	August 2, 2006	400	417	
Bank of Nova Scotia	July 16, 2012	5,000	5,306	
Bell Mobility Cellular Inc.	January 8, 2007	6,775	7,225	
Capital Desjardins Inc.	June 1, 2012	8,100	8,305	
Caterpillar Financial Services	June 1, 2007	5,000	5,141	
Citygroup Finance Canada Inc.	September 17, 2007	3,100	3,195	
Daimlerchrysler Canada Finance Inc.	November 7, 2006	5,500	5,585	
Ford Credit Canada Ltd.	September 26, 2006	1,200	1,200	
Ford Credit Canada Ltd.	February 20, 2007	500	482	
Gloucester Credit Card Trust	June 15, 2007	4,500	4,608	
General Motors Acceptance Corp.	March 22, 2007	1,000	972	
Household Financial Corporation	June 1, 2007	5,000	5,192	
Master Credit Card Trust	June 21, 2007	3,385	3,488	
Merrill Lynch Canada Finance	September 12, 2006	1,350	1,368	
Quebec Telephone	February 1, 2007	1,650	1,752	
Royal Bank of Canada	September 12, 2011	2,500	2,593	
Royal Bank of Canada	June 4, 2012	5,000	5,210	
Toronto Dominion Bank	July 26, 2011	2,500	2,596	
Transcanada Pipeline Ltd.	February 15, 2007	1,600	1,670	
		64,060	66,305	39.51%
Total Canadian Bonds		67,795	70,030	41.73%
TOTAL INVESTMENTS PORTFOLIO		168,140	167,801	100.00%

INCORPORATION

Federally incorporated February 13, 1995, the First Nations Finance Authority (the Authority) is governed by an all aboriginal Board of Directors. The corporation is authorized to issue unlimited class A (voting) and class B (non-voting) shares. The beneficial interests in the shares can only be owned by First Nation governments. Articles of Incorporation restrict

the sale, transfer or disposal of shares without consent by resolution of the Board of Directors.

On February 23, 1995 the FNFA entered into a contract with the Municipal Finance Authority of British Columbia to provide consulting services and access to MFA investment pooling activities.

POOLED INVESTMENTS

Organization

The First Nations Finance Authority has by contract arranged to participate in the MFA short to intermediate term investment pool. These funds are the Money Market Fund and the Intermediate Fund. Both of these funds offer flexibility of subscription and redemption with ease of electronic access.

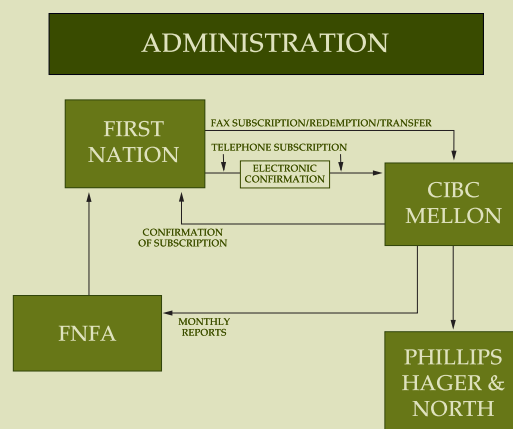
The diagram opposite shows how the Funds are managed: (Fig. 1)

Investment Activities

By contract the investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

The operation of the Funds is monitored by the FNFA Investment Committee who coordinates

with the Fund Manager to review investment performance and proposed strategy. The custodian reports annually on the Funds' administration, reporting and custodial system.



FUTURE ACTIVITIES

Funding

Once legislation has been enacted it is proposed that participating First Nations, either through their tribal councils or on their own behalf, wishing to finance capital projects, will present their approved requests to the Authority.

Taking into account market and economic conditions, the members of the Authority may authorize the issue and sale of securities in an amount sufficient to meet the requests.

Securities of the Authority, the proceeds of which would not exceed the amount authorized, may then be issued at such rates and pursuant to such terms and conditions and in such markets and currencies as the Directors may determine. The Authority would have the power to provide for the creation, management and application of reserve sinking funds or other means of securing the repayment of securities issued by the Authority.

PROTECTION FOR INVESTORS

A separate account would be maintained for each sinking fund that could not be immediately applied toward paying the debt or discharging the obligation and would be in the highest quality money market instruments.

The future federal legislation would establish the terms and conditions for securities of the Authority providing protection of investors. In the Authority, the combined credit of all the participants would stand behind the Authority's obligations.

In addition, the Authority would establish a debt reserve fund into which each participating member shares in the proceeds of a securities issue having a term to maturity of five years or over must contribute an amount equal to one-half the average annual installment of principal and interest for repayment of the issue; such amount would be payable to the Authority at the time of issue either in full or in an amount equal to five percent of the principal amount borrowed with the balance secured by a non-interest bearing demand note of the participating member issued to the Authority. Moneys paid into the debt reserve fund, and interest earned thereon, would be obligations of the Authority to the member and would be refunded to them when the final installments of their loans have been repaid.

If at any time the Authority lacked sufficient funds to meet the principal, interest or sinking fund payments due on its obligations, it would utilize the debt reserve fund, all or any part of which is available to satisfy the Authority's obligations, regardless of the sources of the moneys in the fund. In the event that payments were ever made from the debt reserve fund, the Authority would be able to recover such payments from the member involved in order to restore the debt reserve fund. If the Directors were of the opinion that payments made from the debt reserve fund would not be recovered within a reasonable period, they would be able to levy upon all taxable land or other improvements of the participants a tax or charge sufficient to restore the fund to its required amount. It would be mandatory for the Directors to levy such a charge or tax when the balance in

the debt reserve fund is less than fifty percent of the amount that would have been in the fund had no such payments been made. The Directors' power to impose taxes or charges would not require the permission or approval of any other governmental authority. Pending the receipt of such taxes or charges, the Authority would be able to borrow an equivalent amount to meet its obligations. It is anticipated that there will be a legislated governing body that will assure the debt reserve fund will be maintained in accordance with the legislation.

Moneys in the debt reserve fund would be invested primarily in the highest quality money market investments.

It may be required that investments mature or be callable within a specific time and that a percentage of the fund be callable within a limited time frame.

Additional Protection for Investors

Participating First Nations will be required to meet specific borrowing standards to ensure safeguards on indebtedness are retained. Such safeguards will include the requirement that the debt and user charges, if any, are sufficient to service the debt.

The total indebtedness which a First Nation would be able to contract would be limited to a percentage of the assessed value for general governmental purposes of the taxable land and improvements within their First Nation and the value of the utility system and other First Nation government enterprise.

DIRECTORS PROFILES

THE FNFA IS GOVERNED BY AN ALL ABORIGINAL BOARD OF DIRECTORS MADE UP OF POLITICAL LEADERS REPRESENTING THE PARTICIPATING FIRST NATIONS.

Deanna Hamilton

President and Chief Executive Officer



Deanna Hamilton is Okanagan and a member of the Westbank First Nation in British Columbia, Canada. Ms. Hamilton coordinated the development of the First Nations Finance Authority (FNFA) from its conception in 1992 through to incorporation of the authority in 1995. The FNFA will serve First Nations governments choosing to use its services to attain affordable capital for infrastructure on national and international markets. She is currently the President and Chief Executive Officer of the FNFA.

Ms. Hamilton attended the University of British Columbia. Throughout her career she has worked in business in a number of management and supervisory positions and has successfully operated her own land development companies.

Ms. Hamilton returned to her community in 1990 and accepted the position of Surveyor of Taxes for the Westbank First Nation and was responsible for establishing the system of property tax administration at Westbank. Ms Hamilton was elected Councillor to the Westbank First Nation from 1996 to 1998 and 2000 to 2003. She has been active in Band administration and governance as indicated by the many various organizations and boards she has served on over the years: Westbank First Nation Self-government; Westbank First Nation Corporations; Westbank First Nation Treaty Negotiations Table; and Westbank First Nation Economic Development Commission.

Ms. Hamilton is past president of the First Nation Tax Administrators Association, was a Board member of the Kelowna Chamber of Commerce, a Director of All Nations Trust Company, served two consecutive terms as Director of the British Columbia Assessment Authority and was a member of the National Revenue Options Technical Table.

Ms. Hamilton is married, has three children and resides in Westbank, British Columbia.



Chief Joe Hall

Vice President

Joe Hall is Chief of the Tzeachten First Nation, a dynamic and progressive First Nation located in the Fraser Valley. He is also the President of the Sto:lo Nation Chiefs Council and former CEO of Sto:lo Nation.

A graduate of the BCIT and BC Vocational School, Joe subscribes to the life-long learning concept and has enhanced his skill set through training at UBC, the University of Victoria, the Justice Institute and the University College of the Fraser Valley. Prior to coming to the Sto:lo Nation in 1986, Joe was employed for eleven years with Genstar Development Company as a Civil Engineering Technician, where he was primarily involved in land development.

Joe's current affiliations include Director of the Sto:lo Nation Development Corporation, Member of the Sto:lo Development Corporation Investment Committee, President of Ch-ihl-kway-uhk Tribal Society, Vice-President of Chi-ihl-kway-uhk Forest Limited Partnership and the First Nations Finance Authority, Director of the Tale'awtxw Aboriginal Capital Corporation, and Chairman of the Tale'awtxw Economic Development Association.

Joe has served on a number of Boards and Committees including the First Nations Statistical Institute, BC AFN Director, BC AFN Chief's Committee on Fiscal Relations, BC AFN Chiefs' Committee on Housing, Chairman of the First Nation Education Steering Committee, RCMP Commissioner's Advisory Panel, the Chilliwack Official Planning Committee. Joe has lectured at the University of Victoria on taxation, participated on the tax panel at the Union of BC Municipalities in Victoria, and assisted the BC Region DIAND Executive Committee with the development of the "Government to Government" handbook.

Joe is married with two sons and is a very active participant and coach, with more than 35 years involvement in community sports (baseball, soccer).