

2012 Annual Report To the Membership of Yellow Quill First Nation



3rd Annual Report

August 17, 2012

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Message from the Board

Yellow Quill TLE has reached certain milestones in recent years and despite achieving shortfall acres - there are many important responsibilities to oversee and opportunities to pursue.

Foremost is the protection and preservation of the TLE principal for current and future generations of Yellow Quill membership and future purchase of land targeted specifically to resource sector opportunities including surface agriculture leasing. Per the TLE agreement, an additional 100,000 acres of land may be purchased for transfer to reserve

by Yellow Quill. High value resource projects through strategic land acquisition will make certain wealth creation becomes a reality in an effort to lessen or reduce our dependency on government.

To ensure Yellow Quill's competitiveness in economic development and to make certain Yellow Quill Holdings is properly prepared to being business ready - the Holding company will over time create new limited partnership structures that operate independent of political interference and influence. This will ensure decision mak-

ing is driven by business interests and not politics and that such decisions are made in the best interests of our shareholders who are the membership of Yellow Quill First Nation.

Yellow Quill Holdings will endeavor to make certain assets purchased by TLE are soundly managed and administered and that accountability remains a top priority in everything we do in better serving membership and leadership.

Year in Review: June 2011 to June 2012

The 2011-2012 fiscal year was a mixed bag in that Yellow Quill Holdings realized higher earnings due to a strong Saskatchewan economy and Yellow Quill TLE realized certain 'ups and downs' due to world financial markets.

Yellow Quill Holdings

Yellow Quill Holdings, once again, achieved historic revenue growth that surpasses that of previous years. Much of this growth is attributed to: higher lease revenues for First Nations Bank building; higher lease revenues for agriculture lands; higher lease revenues for Saskatoon parking lot; and funding provided by Indian and Northern Affairs Canada for work being done on the office tower concept.

Yellow Quill TLE Trust

In July 2011, TLE principal of

\$11,074,430 was invested to the Canadian bond market via Ridgewood Capital Asset Management. Bond yields are 5.25% per annum with earnings paid monthly. In late 2011, the uncertainty in world financial markets and economic instability in Europe and the United States allowed for sensitivity in the Canadian Bond market. World financial markets as a whole are so interconnected that no single investor is immune from market fluctuations.

As is the case, market value of TLE bonds at December 31, 2011 was \$10,595,460. At June 30, 2012 the market value of TLE bonds moved upward to \$10,774,995. Book value of TLE bonds remains \$11,369,764 as at June 30, 2012. Ridgewood Capital Asset Management anticipates a near recovery of TLE

bonds before the end of December 31, 2012.

Accountabilities

The 2011 Financial Statement for Yellow Quill Holdings and 2011 Audit for Yellow Quill TLE are complete and available for pick-up at the Band office and Urban offices of Saskatoon and Regina.

The website for Yellow Quill First Nation was launched in July 2012 - www.yqfn.ca will serve as a communication tool to Yellow Quill membership. This 2012 Annual Report and previous reports are posted on the website for download.

Year in Review: June 2011 to June 2012

Yellow Quill Holdings: Investments to Membership...

Yellow Quill Elders

Sixteen Band members qualified (i.e. having reached the age of 60 years) for the \$5,000 Elder payment this year with payment issued on Treaty Day of June 19, 2012. Holdings also provides a Christmas payment in the amount of \$250 per Elder. This payment will be an on-going annual occurrence.

Yellow Quill Youth

Awards for K-12: On-Reserve
Holdings remains committed to recognizing excellence among on-reserve Yellow Quill students. As such, the following awards are provided to one student for each grade:
-K to 6: Good attendance merits a 'Slip and Slide' for each of K-2, and bike & helmet for each grade of 3-6;
-Grades 7 to 9: Good marks merit a camera for each grade; and
-Grades 10 to 12: Good marks merit a laptop for each grade.

Awards for Gr.12: Off-Reserve

Holdings continues to provide a \$400 payment for each off-reserve Yellow Quill Band member who successfully completes high school.

Post-Secondary Awards

As acknowledgement of their accomplishments, Holdings provides a payment of \$700 to each Yellow Quill Band member who successfully complete post-secondary studies with a degree.

These initiatives will be an on-going annual occurrence.

Yellow Quill Holdings Scholarship

In memory of Kaydance and Santana Pauchay, Holdings provides two scholarships per semester (i.e. Fall and Winter) for Yellow Quill students enrolled in either university or technical school.

This year, the Kaydance Pauchay Scholarship was awarded to Veronica Rochelle Macpherson

Headley. Veronica, 19, is a resident of Halifax and attends the Acadia University in Wolfville, Nova Scotia. Veronica is currently in her 3rd year of study pursuing a Biology major and intends to transfer into and obtain a Bachelor of Kinesiology. Her future plans are to pursue occupational therapy in Alberta, working with kids with physical disabilities. In speaking about the importance of education, Veronica states, "I would tell every student from Yellow Quill to take full advantage of their education, and by doing something they enjoy, they will get the most from their opportunities."

The Santana Pauchay Scholarship was awarded to Tim Quewezance. Tim, 35, is a resident of Saskatoon and has recently completed and obtained a certificate in the "Pre-Employment Automotive Service Technician" program with SIAST Kelsey Campus in Saskatoon. Tim always had an interest in the automotive trade and is currently now working, and enjoys the whole experience as a 2nd level apprenticeship. Tim's long-term goal is to obtain Journeyman status and start his own business or become an Instructor at Kelsey. In speaking about what motivates Tim, Tim mentions, "I want to become a role model for younger band members who have an interest in the trade."

The Kaydance and Santana Pauchay Scholarship will be an on-going annually funded initiative by Yellow Quill Holdings.

Urban Specific Initiatives

Christmas Support

In December each year, Holdings provides gift cards (\$50 value) to urban members, gifts to children, and hosts the annual Christmas dinner for urban families in Saskatoon and Re-

gina. These initiatives will be an on-going annual occurrence.

Saskatoon Urban Office

Holdings remains committed to supporting the Urban office through leasing of 210 Avenue P. This property was recently sold by owner - Holdings will continue working with the Urban Office Manager to lease another property of suitable space and amenities.

Regina Urban Office

Holdings remains committed to supporting the Urban office through leasing of 1246 Albert Street.

Band Hall Renovations

In June this year, Holdings funded exterior renovations (i.e. Phase I) to the Yellow Quill Band Hall - this included new shingles and roofing materials, new siding and a couple of new windows. We expect interior renovations (Phase II) to commence over the winter months.

Holdings is looking to create opportunities for local tradespeople by utilizing local labour in the community. Phase II renovations will once again employ qualified members in the community.

Community Garden

This past summer, Holdings funded a community garden on-reserve at Yellow Quill. Its anticipated produce harvested can be shared among Elders, youth and community members at large.

Year in Review: June 2011 to June 2012

Yellow Quill Holdings: Program/Service Transfer to Band Administration...

Renewed Focus by Holdings

In an effort to focus exclusively on economic development and also for reasons of TLE lands recently converting to reserve status, Yellow Quill Holdings agreed to the June 1, 2012 transfer of funds to the Band Administration for certain programs and services formally delivered by Holdings to Band membership.

As of June 1, 2012, Holdings will fund Band Administration for delivery of programs/services including:

- On-reserve Housing renovations and home improvements;
- Health and Safety (water cisterns, garbage collection, and sewer service);
- Band Member Assistance (wakes, funerals, emergencies, sports and recreation, and workforce assistance); and
- Mapping and Specific Claims research.

The following table depicts the projected fund transfer for June 1-December 31, 2012 to the Band Administration assuming the delivery of programs/services:

Band Administration have adopted the Community As-

New Housing – 2 units	200,000
Renovations	50,000
Health & Safety	18,000
Band Membership Assistance	127,800
Mapping & Specific Claims Fund	30,000
Total 2012 Transfer to Band	425,800
Administration & Management Fee (10%)	42,580
Total Projected 2012 Transfer	\$468,380

sistance (CA) policy to ensure various funding requests fall within the stated guidelines and criteria of policy. CA policy is available at the Band Office, Urban offices of Regina or Saskatoon or by contacting Gwen Hugli - Community Assistance Coordinator at 306-361-9269.

Holdings in conjunction with Yellow Quill Chief and Council will conduct a year-end review of program/service transfers to determine the effectiveness of its delivery.

Fund Transfer: June 1 to August 1

From June 1-August 1, 2012, Yellow Quill Holdings transferred approximately \$330,000 to Band Administration for:

- New housing (i.e. 200,000);
- Housing renovations (i.e. 36,412);
- Health and safety (i.e. 7,710);
- Band member assistance (i.e. 54,771);
- Mapping and Specific Claims (i.e. 12,858); and
- Administration and Management Fee (i.e. 18,249) to facilitate program/service transfer.

In addition to program/service transfers, Holdings has also allocated certain funds to Band member specific on-reserve training initiatives.

On-Reserve Training

Holdings is working closely with the Band's Active Measures program to support the Band welding program provided by Carlton Trail Regional College and SIAST. The program is delivered on-site at the Archerwill facility purchased by Yellow Quill Holdings. Currently nine Yellow Quill Band members are enrolled in the 20 week welding program - Holdings supports the program by funding student transportation to and from the reserve to Archerwill, funding of meals, funding of tools, equipment and attire (i.e. work boots, coveralls) needed by students, funding of weekly student allowance based on attendance, and funding all other operational needs (i.e. utilities, phone, internet, etc.). Holdings is also working with employers to conduct site visits of the Archerwill facility and to better engage students. Holdings will also fund plant tours for students to visit employers in Regina and Saskatoon - to better understand workplace dynamics and working conditions.

In early 2013, Yellow Quill Holdings may consider funding of a Licensed Practical Nursing (LPN) program to be provided locally in the Yellow Quill area. Program funding by Holdings will be contingent on interest and uptake by Yellow Quill membership to participate.

Reporting Requirements

Yellow Quill Holdings will continue to work with Band staff and Co-Manager to ensure compliance for consolidated audit requirements by Indian and Northern Affairs Canada.

Strategic Planning

Later this fall, Yellow Quill Holdings will fund a strategic planning session for Band Administration - in an effort to increase effectiveness and efficiency of all band programs and administrations.

Year in Review: June 2011 to June 2012

Yellow Quill Holdings: Asset Portfolio...

Asset portfolio for Yellow Quill Holdings consists primarily of:

- First Nations Bank Building;
- Agriculture Lands;
- Saskatoon Parking Lot; and
- Archerwill Property.

Holdings continually strives to ensure maximum value is being realized for all assets administered under its authority. What this means for membership is an asset offering sound returns allows Holdings to fund many new and exciting initiatives - many of

which were introduced in recent years. Holdings aspires to grow the Yellow Quill asset portfolio to increase investments to Band membership and program/service transfers to Band administration.

First Nations Bank Building



First Nations Bank Building

First Nations Bank Building (FNBB) in Saskatoon is fully occupied and is home to the following tenants:

- First Nations Bank;
- Claude Resources;
- Shore Gold;
- Merchant Law Group;
- 49 North Resources;
- MGI Securities;
- BEC International;
- Ministry of Government Services (Family Law, Crown Prosecutor, Court of Queens Bench);
- Nova-Tek Innovations; and
- Quon Ferguson.

In the past 2-3 years all lease agreements were renewed by tenants - renewed at rates that reflect fair market value and increases over their previous rate.

In 2011-2012, lease revenues are at an all time high and are a reflection of market conditions for Class B office space.

Current demand for office space in downtown Saskatoon is high and is expected to only increase in the coming years - future prospects for FNBB earning even greater returns look promising.

Agriculture Lands

Treaty Land Entitlement (TLE) land is located in the following municipalities:

- RM of Corman Park (Saskatoon);
- Rose Valley (lot);
- RM of Kelvington; and
- RM of Caledonia (south of Regina)

Agriculture leases are in place with One Earth Farms (OEF) and local farmers in and around RMs where TLE lands are found. For current year, almost all agriculture leases are under Indian and Northern Affairs Canada (INAC) permits due to most Yellow Quill land being reserve. Much like FNBB, demand for farm land is on the rise and new tenants

such as OEF have helped increase lease rates per acre for Yellow Quill lands.

Agriculture leases will eventually be administered by a Yellow Quill limited partnership company and not under the bureaucracy of INAC permitting.

Saskatoon Parking Lot

Imperial Parking

The parking lot in Saskatoon located at 240 4th Ave South has realized excellent returns via leasing with Imperial Parking Canada. Most recently, the lease agreement was renewed early and at a rate that is 2.5 times greater than that of only three years ago. With early renewal, Imperial Parking will pave the lot and install high-tech metering systems on site - improvements will begin this year. Early renewal and site improvements will not impede or

interfere the potential future development of parking lot for an office tower or other commercial use.

The parking lot is an attractive property and suitable location for development - it is a high profile site supported by downtown amenities (i.e. hotels and restaurants), transit system, and excellent river view. Its development is also supported by Saskatoon Mayor and Council.

Year in Review: June 2011 to June 2012

Archerwill Property

Building Particulars

The building was purchased in December 2011 for \$165,000 and sits on 4.5 acres and encompasses 9000 total square feet.



The property was originally built in 1995 and includes an addition that was added in 2002.

Welding Program

Since May, twelve students were enrolled to the SIAST Welding Applied Certificate program delivered by Carlton Trail Regional College.

The welding program will enhance the skill set of participants through a combination of classroom, shop, work experience and work based training. Trade time and academic

credit may be available for graduates who find employment in the trade and register as apprentices.

The welding program is 22 weeks in length (20 weeks of formal training plus 2 weeks of work experience) and will run from May 14 – October 11, 2012. Classes are held Monday to Thursday.

Leasing by One Earth Farms

In addition to serving as an instructional facility, Holdings also leases approximately 63% of property to One Earth Farms (OEF) as storage for farm equipment and shop area to work on OEF machinery.

Strategic Partnerships

ISM/IBM Canada

On National Aboriginal Day, June 21, 2012 - Yellow Quill First Nation and ISM Canada signed an agreement designed to help foster students' interest



Above Chief Larry Cachene and Keith Beurivage, Director, Human Resources, ISM Canada.

in technology-related career paths. "This agreement with ISM Canada will help Yellow Quill First Nation better prepare our young people to participate in the labour force, specifically, in pursuing IT careers," said Larry Cachene, Chief, Yellow Quill First Nation. "In addition to the donation of laptops, ISM Canada will help us identify the opportunities and how our students can prepare for them."

ISM Canada will initially provide 30 laptops and related technical support for use by Yellow Quill First Nation's Nawigizigweyas Education Centre in specially designed pro-

grams to encourage and support students interested in technology related subjects.

"We are looking forward to collaborating with Yellow Quill First Nation in this partnership," said Keith Beurivage, Director, Human Resources, ISM Canada. "We view this as a great opportunity to enable Yellow Quill to design programs that will encourage First Nations youth to consider careers in IT, and, we hope, with ISM Canada."

Looking Forward: June 2012 and beyond

Yellow Quill Treaty Land Entitlement:

Over the course of the next twelve months, Yellow Quill TLE will focus on designation vote; reserve creation

for Saskatoon parking lot and Archerwill property; and prospects for a potential land acquisition stra-

tegically targeted to resource sector opportunities and surface agriculture leasing.

Designation Vote

Yellow Quill held a designation vote on June 19, 2012 - 474 votes were cast for the Saskatoon parking lot (90% voted YES, 9% voted NO, and 1% were SPOILED) and 476 votes were cast for the Archerwill Property (93% voted YES, 6% voted NO, and 1% were SPOILED).

Despite strong support from our membership, INAC require a second vote to be held – the reason being is

a greater volume of membership participating to the vote was needed. In many instances, mail out packages were returned due to wrong or incomplete address information or in some cases packages were received by membership on or after June 19, 2012. A second and final vote is scheduled for August 29, 2012.

*NOTE: If you haven't already provided TLE with your current

mailing address concerning this vote, you are strongly encouraged to do so. Your participation is very important and valued!

Reserve Creation

TLE is actively working on reserve creation for each of the properties located at Archerwill and the parking lot in Saskatoon.

It is anticipated that reserve creation for the Saskatoon property will occur later this year and prior to 2013. All requirements by Canada are in

order including Police Services Agreement, Agreement with City of Saskatoon, and Saskatoon School Boards Agreement. The complete reserve creation package for Saskatoon will be submitted to Canada in early September. Soon after the submission of the Saskatoon reserve creation package

- the reserve creation package for Archerwill be forwarded to Canada. Reserve creation for Archerwill will occur in 2013.

Yellow Quill Holdings:

Over the next twelve months, Yellow Quill Holdings will:

- Work closely with the Band in planning a Community Career Fair;
- Develop strategic partnerships with industry; and
- Explore potential economic de-

velopment opportunities including manufacturing ideas; and

- Office Tower Concept.

An important requirement of any project considered by Holdings is planned due diligence - if the pro-

ject is deemed unfeasible or too risky or the project investment is not fairly distributed among partners - Holdings will elect not to participate.

Community Career Fair

Yellow Quill is currently planning a community career fair to be held this fall.

Our ambitions are to bring employers, post-secondary institutions, and

local First Nation and Non-First Nation communities to Yellow Quill - in an effort to build lasting relationships and promote employment, economic development and higher learning.

Yellow Quill Holdings will facilitate this event and coordinate its planning.

The tentative date is mid-October 2012.

**YELLOW QUILL
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Yellow Quill
HOLDINGS

Looking Forward: June 2012 and beyond

Exploring Other Strategic Partnerships

Holdings will continue to explore and create strategic partnerships with industry. Currently, we are in discussion with Saskatoon based Federated Co-Operatives Ltd. (FCL). A partnership in principle would be based on a mutually beneficial relationship

that is strategically aligned to each of our business models. A partnership would entail: Yellow Quill participating to a management training program with FCL; FCL and Holdings working together to stock the school library on-reserve at NEC; potential

conversion of Band store to that of a Co-Op; FCL providing to Yellow Quill a complete inventory of job audit information and procurement opportunities; and provision of scholarships by FCL for NEC students to stay in school.

Exploring Potential Economic Development Opportunities

Goodfish Lake (GFL)

Since early summer, Holdings have paused our discussions with GFL. All work being done in preparing Market Analysis; preparing MOU; and preparing draft working agreements were facilitated by Holdings. GFL did not demonstrate the desired commitment to equally share the burden of cost for due diligence in moving forward the laundry and linen

project.

Manufacturing Possibilities

Holdings maintains support to Yellow Quill members in the welding program, because it is essential that a skilled workforce is created allowing Holdings to draw from in creating a manufactured product on-reserve.

Holdings is working closely with KPMG to identify competitive advantages to operating on-reserve in areas of taxation concerning raw materials, overhead and corporate profits generated under a First Nation limited partnership structure.



this amount Indian and Northern Affairs Canada provided \$99,000 with the remaining \$39,557 paid by Holdings. The BCA was presented to membership and leadership in March 2012 and based on Holdings presentation - BCA was supported for further due diligence.

Development. Design Development is the final stage of architectural work at a cost of \$218,000 - of this amount Indian and Northern Affairs Canada will provide \$174,000 with the remaining amount of \$44,000 to be paid by Holdings. Design Development will be completed in mid-December.

Marketing Campaign

In early September, Holdings in collaboration with Colliers will commence the marketing campaign of office tower. This will include posting of a billboard at the property to solicit interest from prospective tenants and further gauge market interest.

Currently, 65% of rentable floor space is called for via letters of intent.

Next Steps

A complete project package including particulars, investment partners and financing options will be presented to Yellow Quill membership later this year for discussion.

Commercial Development

The idea of potentially developing the Saskatoon Parking Lot (i.e. 240 - 4th Avenue South) for purposes of commercial development began in the summer of 2010. Since then, a considerable undertaking of due diligence was pursued by Holdings.

In November 2010, Holdings commissioned MHPM to begin a Concept Plan (CP) for a potential Office Tower. The cost of this assignment was \$25,000 paid by Holdings. CP was presented to membership and leadership - property was supported to be moved to reserve and concept supported for further refinement.

In September 2011, a Business Case Analysis (BCA) was complete at a cost of \$138,557 - of

In March 2012, Holdings commissioned KPMG to provide advice in designing a limited partnership structure that would exempt Yellow Quill from taxes of PST and GST in its on-reserve construction and on-going operations of an office tower, as well as advice concerning specific corporate structures. Advice by KPMG has proved to be invaluable in allowing limited partnerships to be creatively designed.

In June 2012, refined architectural work (i.e. Schematic Design) commenced at a cost of \$218,000 - of this amount Indian and Northern Affairs Canada provided \$174,000 with the remaining amount of \$44,000 to be paid by Holdings. Schematic Design will be completed in late September - immediately followed by Design