

2013 Annual Report To the Membership of Yellow Quill First Nation



4th Annual Report

November 1, 2013

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Message from the Board

This past year, Yellow Quill TLE has strived to move additional TLE lands in and around the main reserve to reserve status. This includes lands in the RM of Porcupine and RM of Kelvington. Other properties planned for transition to reserve include the Saskatoon parking lot and facility in Archerwill. Both Saskatoon and Archerwill properties will, unfortunately, not realize reserve status until early 2014.

In addition to facilitating

reserve creation, Yellow Quill TLE and Yellow Quill Holdings remain committed to ensuring accountability in the work we do in serving both membership and leadership. We will continue to ensure existing assets and potential new assets are soundly managed and that decisions made are collectively in the best interests of Yellow Quill membership.

With that being said, the new office tower is an enormous project and its progress is

slowly inching forward. Its progress is slow because of due diligence. The Board has to be comfortable in the decisions it makes and that such decisions are responsible and informed. This will allow the Board to act prudently in evaluating all associated risks based on critical and timely information.

This report will provide an outline of the office project scope, scale and options of consideration.

Year in Review:

The 2012 fiscal year provided a recovery for investment bonds by Yellow Quill TLE while Yellow Quill Holdings realized a decrease in total revenues.

Yellow Quill Holdings

Due to roughly 16,000 acres of TLE land moving to reserve status in early 2011 - the Band has chosen to administer agriculture leases and receipt of associated revenues for lands that were formerly TLE but are now reserve.

Currently, Yellow Quill Holdings has minimal agriculture lands which include the RM of Corman Park near Saskatoon; RM of Caledonia

near Regina; and small parcels of land near the main reserve. Despite lower total agriculture revenue, other revenue from the Saskatoon parking lot and First Nations Bank building - each remain at an all time high.

Yellow Quill TLE Trust

In July 2011, the TLE principal of \$11,074,430 was invested to the Canadian bond market via Ridgewood Capital Asset Management (i.e. Bond yields of 5.25% per annum with earnings paid monthly).

As of December 31, 2012, the value of TLE bonds recovered to \$11,294,362.

For the current year, there remains a lot of volatility in world financial markets due to uncertainties in parts of Europe, a sluggish economy in the United States and ongoing conflict in the middle east.

Accountabilities

The 2012 Financial Statement for Yellow Quill Holdings and 2012 Audit for Yellow Quill TLE are available at the Band office and Urban offices of Saskatoon and Regina.

This Annual Report and reports for previous years are posted on www.yqfn.ca for viewing and printing.

Year in Review:

Yellow Quill Holdings: Investments to Membership...

Yellow Quill Elders

Fourteen 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 May 6, 2013.

Since Treaty Day, nine new names were included to the official Yellow Quill band list and each are eligible for the \$5,000 Elder payment. In the coming months, additional names may be added prompting further Elder payments to be released.

Each Christmas, Holdings provides a payment to each Elder in the amount of \$250. This payment will be an on-going annual occurrence.

Yellow Quill Youth

Awards for K-12: On-Reserve

Again, Yellow Quill Holdings remains committed to recognizing excellence among on-reserve Yellow Quill students. As such, the following awards were provided to one student for each grade:

- K to 6: Good marks 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 an under-graduate degree or graduate degree.

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

Yellow Quill Holdings Scholarship

In memory of Kaydance and Santana Pauchay, Holdings provides two scholarships for Yellow Quill students enrolled in post secondary. This year, the Kaydance and Santana Pauchay Scholarships were awarded to Jaris Swidrovich and Kerri Crowe.

Mr. Swidrovich has completed his Doctor of Pharmacy degree from the University of Toronto. Jaris will be working as a Clinical Coordinator of Pharmaceutical Services in Adult Internal Medicine at St. Paul's Hospital in Saskatoon. Jaris will continue volunteering as a Clinical Pharmacist Mentor at the Student Wellness Initiative Toward Community Health Clinic as well as pursuing other volunteer initiatives in Saskatoon.

Mr. Swidrovich states, "I am forever grateful for the opportunity to have received my education and for the support of Yellow Quill First Nation in my journey of education. Not only have I learned about the subject matter of pharmacy, but through my education I have also learned so much about myself, others, and the world around me. Education has been one of the greatest gifts I have ever received, along with my family and friends, and I encourage all Yellow Quill youth to pursue their education."

Mrs. Crowe is a positive role model who attends First Nations University in Saskatoon and is in her fourth year of Indian Social Work. Mrs. Crowe has experienced many trials in life to get where she is today, but regardless of what she encountered in life, she challenged herself to do what it took to get her grade 12 so she could further her education in Social Work

and work with women who struggle. Kerri understands education is very important, as well, as living a healthy lifestyle with her culture, she continues to learn about her traditional ways. Kerri is very grateful for the teachings she received from the elders in her life. Her dreams in the future are to work closely with women in her community who are in transition to living a better way of life.

The Kaydance and Santana Pauchay Scholarships 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 families in Saskatoon and Regina. These initiatives will be an on-going annual occurrence.

Saskatoon Urban Office

Holdings supports the Saskatoon Urban office through leasing of 410 Avenue N South. Holdings also provided funding for an Essential Skills training program in Saskatoon

Regina Urban Office

Holdings supports the Regina Urban office through leasing of 1246 Albert Street. Holdings also provided funding for Urban board training, governance and capacity building initiatives.

Band Hall Renovations

Last year, Holdings funded exterior renovations to the Yellow Quill Band Hall and will commence interior renovations in early winter this year. This project will be done by local tradespeople from Yellow Quill.

Band Store

In June 2013, Holdings cost shared (i.e. 50/50 basis) with the Band Store roof repairs and new siding for the Band Store.

Community Playground

This summer, Holdings funded the cost of new playground equipment on-reserve at Yellow Quill.

Year in Review:

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

Funds Transfer: January 1 to December 31, 2013

Yellow Quill Holdings has continued the monthly funds transfer to the Band Administration for certain programs and services formally delivered by Holdings to Band membership. This includes:

- 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 from January 1 to December 31, 2013 to Band Administration assuming the delivery of programs/services:

Renovations	\$30,916
Health & Safety	\$24,000
Band Membership Assistance	\$219,084
Mapping & Specific Claims Fund	\$12,000
Administration & Management Fee	\$30,000
Total Projected 2013 Transfer to Band	\$316,000

Holdings in conjunction with Yellow Quill Chief and Council will conduct an annual year-end review of funds transfer to determine the effectiveness of its delivery.

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

On-Reserve Training

Holdings works closely with the Band's Active Measures program to support various training programs that may be provided from time to time and on-reserve at Yellow Quill.

Heavy Equipment Operator Training - 2012

In an effort to assist participants attending the on reserve Heavy Equipment Operator Training program, Holdings provided a weekly student allowance based on attendance.

Welding Program 2.0

In early spring 2014, Holdings in collaboration with the Band are considering a Production Line Welding (PLW) program to be delivered by SIAST and Carlton Trail Regional College. The program is considered an "Applied Certificate" from SIAST. Entrance requirement is a minimum of Grade 10 education. The PLW program would include workplace essential skills (5 weeks), production line welding (8 weeks), safety training (1 week), resume workshop and job interview skills (2 days), and work placement (2 weeks). Holdings will provide the facility, welding helmets, gloves, coveralls, boots, transportation to and from training facility, and training allowance.

Other Training Programs

In an effort to support need within the community, Holdings provided financial support to the on-reserve essential skills program. This included funding related First Aid/CPR/AED training (i.e. via Red Cross) and Mental Health First Aid Canada Course (i.e. via Mental Health Commission of Canada) as well as other initiatives supportive to delivery of the essential skills program.

Holdings in conjunction with the Band were exploring the prospects of providing a Licensed Practical Nursing program at Yellow Quill but due to an overall lack of interest in the community - the program will not be provided.

Provincial Investments

Yellow Quill Holdings is lobbying the provincial government for on-reserve training at Yellow Quill. Specifically, we are working with the Ministry of the Economy, Labour Market Services to develop strategy that allows for improved access to training and employment opportunities by Yellow Quill membership.

Officials from the Ministry of the Economy have suggested the possibility of an employment center or related facility that can create linkages between the community and training and between the community and employers for job and career opportunities. Other partners to this community driven strategy include Aboriginal Affairs and Northern Development Canada.

Greenhouse On-reserve at Yellow Quill

For the current year, Yellow Quill Holdings has budgeted capital costs associated to construction of a single greenhouse on-reserve at Yellow Quill. It is anticipated purchase of supplies and construction of greenhouse will begin before the end of the year.

Reporting Requirements

Yellow Quill Holdings will continue to work with the Band Administration to ensure compliance for reporting requirements of consolidated audit by Indian and Northern Affairs Canada.

Year in Review:

Yellow Quill Holdings: Asset Portfolio...

Asset portfolio for Yellow Quill Holdings consists of:

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

Yellow Quill Holdings aspires to ensure the greatest financial return is realized for all assets administered under its authority. Solid financial returns equate to additional and increased community investments.

In recent years, there have been many new and exciting initiatives as described on pages 2 and 3 of this Annual Report. It is the ambition of Holdings to continue this trend and further grow and diversify the asset portfolio for Yellow Quill.

First Nations Bank Building

The Yellow Quill First Nations Bank building is fully occupied with the following tenants:

- First Nations Bank of Canada;
- Claude Resources;
- Shore Gold;
- MPE Engineering Ltd.;
- 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 recent years, various leases were renewed at rates that are reflective to fair market value for Class B office space in Saskatoon. To ensure the property remains competitive, upgrades were made including new water mainline, installation of energy efficient T3 lighting, motion sensor lighting in washrooms on all floors, new ceiling tiles and grids on most

floors, new signage throughout building, upgraded front entrance and new doors to the back of the building, and new security features for after hours access to building and floors.

Before year end, SaskTel will install fibre optic lines to enhance tenant connection speed. Also, SaskPower will install an energy monitoring system to help reduce building electrical consumption.

Improvements such as these will make the property more appealing to current and prospective tenants.

Agriculture Lands

Remaining treaty land entitlement (TLE) lands used for the purposes of agriculture leasing and hay production is roughly 1100 acres. These lands are situated in the RM of Corman Park

near Saskatoon, RMs of Kelvington and Porcupine near main reserve, and RM of Caledonia south of Regina. All agriculture leases are at fair market value and with local farmers

to the area. Yellow Quill TLE hopes to expand the Yellow Quill land base in the coming years and with resource opportunities in mind.

Saskatoon Parking Lot - 240 4th Avenue South

The parking lot in Saskatoon has, in recent years, realized excellent returns via leasing with Imperial Parking Canada (Impark). In light of the proposed new office tower, the lease agreement

with Impark has been terminated as to not impede or prevent reserve creation. And to ensure the property continues to generate revenue up to the date of construction of the new

building, Holdings engaged Impark to lease the premises on a month-to-month basis and at a rate that surpasses lease rates of past years.

Archerwill Property

Leasing by One Earth Farms

At present, sixty-three percent of the Archerwill facility is leased to One Earth Farms. This lease will expire November 2013.

Welding Program

In addition to leasing, the property also serves as an instructional facility. We anticipate delivery of another welding program in Production Line Welding (PLW) which will be jointly funded via Aboriginal Affairs and Northern Development Canada, Yellow Quill Holdings and

potentially Saskatchewan Ministry of Advanced Education. The PLW program will be held in spring 2014 and in the next few months, the community will be canvassed for participants. Entry requirements include a minimum of grade 10 education and interviews to gauge suitability. Both Carlton Trail Regional College and SIAST will provide PLW instruction to welder trainees.

The ambition of Yellow Quill Holdings as it relates to this facility is to manufacture product - in doing so, we need the property to transition to reserve status.

Looking Forward:

Yellow Quill Treaty Land Entitlement:

Over the next couple of months, Yellow Quill TLE will focus on assisting the Band in developing laws of taxation and property assessment for the new office tower. We will also continue our work on reserve creation for remaining TLE lands in the RMs of Kelvington and Porcupine as well as the Saskatoon parking lot and Archerwill property.

TLE will also explore potential land acquisitions with opportunities of resources and agriculture leasing in mind.

Prior to any land purchase will require consultation and agreement by both membership and leadership of Yellow Quill First Nation. A potential land acquisition, should it

occur, will not take place until 2015 or earlier.

The design of the acquisition strategy is to effectively reduce Yellow Quill's exposure to risk and place the burden of risk on an investment partner.

Property Taxation Law and Property Assessment Law

Prior to the end of 2013, both the Yellow Quill Property Taxation Law (PTL) and Yellow Quill Property Assessment Law (PAL) will be introduced to membership and leadership.

PTL and PAL was developed only for the new office tower in Saskatoon and **will not** apply to any other reserve

lands of Yellow Quill First Nation.

Both PTL and PAL must be implemented prior to the Saskatoon parking lot moving to reserve. This will ensure the Band is seen as occupying the field of taxation. In short, Yellow Quill would have authority to tax tenants of the proposed new

building at rates that are equivalent to the School Board portion of City of Saskatoon property tax.

PTL and PAL would direct new revenue dollars to fund various on-reserve infrastructure needs and initiatives at Yellow Quill.

Reserve Creation

TLE lands in RM of Kelvington and RM of Porcupine

Just this past month, an additional 431 acres of TLE land in and around the main reserve officially moved to reserve status.

With other local TLE selections moving to reserve status - the only concern by Canada was remediation of the blue stone pit. To address this concern, TLE engaged Pinter and Associates to clean contaminated soil as per AANDC environmental regulations. The cost of clean-up by Pinter and Associates was \$12,500 not including local labour and equipment. Work was completed in October.

Upon reserve status, property taxes will no longer have to be paid to local RM offices.

Remaining TLE lands around the main reserve are roughly 900 acres.

TLE land in Village of Archerwill

At the time of purchase, title to the Archerwill property included a cave-

at placed by the Government of Saskatchewan (GOS) in 1991. The concern of Ministry of Highways is that of vehicle safety and preservation of a "sight triangle" as it relates to traffic coming from the adjacent grid road heading west to highway #35. GOS has offered to buy the sight triangle from Yellow Quill Holdings for the paltry sum of \$2,000 for 0.507 acres. Holdings have kindly rejected the offer by GOS. Yellow Quill have been assisted by Federal Departments of Justice and INAC in remedying the situation with GOS. At present, Yellow Quill is working with provincial and federal governments in drafting an Easement Agreement that satisfies the interests of GOS and Yellow Quill retaining ownership of the property of concern. It is anticipated the Easement will allow reserve creation to continue - likely early 2014.

TLE Land in Saskatoon

Prior to the Saskatoon parking lot moving to reserve - the Yellow

Quill laws of Property Taxation and Property Assessment must first be approved by leadership and First Nations Tax Commission. This will allow Yellow Quill to tax tenants to the new building.

All outstanding items with respect to reserve creation for the parking lot have been addressed. This includes head-lease and sub-lease. The head-lease is an agreement between Canada and Yellow Quill Equities LP where the sub-lease is an agreement between Yellow Quill Equities LP and Yellow Quill Property Management LP. Yellow Quill Property Management LP will have direct leases with building tenants.

This KPMG inspired business structure allows Yellow Quill to be exempt from taxes during construction and operations including corporate income

Looking Forward:

Yellow Quill Holdings

ISM Canada

Further to the June 21, 2012 partnership, Yellow Quill has put to good use the 35 laptops graciously provided by ISM Canada. The laptops support the Nawigizigweyas (NEC) "Computer Lab on Wheels" program.

The ISM-Yellow Quill partnership also includes a science project for students at NEC to participate in. This involved construction of a robot, referred to as the "Robots! On the Road" program. This was a great opportunity to introduce science and technology related initiatives to Yellow Quill youth. The program took place on May 22, 2013 at NEC. Students worked in groups to build LEGO NXT robotics kits where they maneuvered the robot and its associated components. Students programmed robots to move and react to their environment

and to follow simple commands. Students also learned about real-world applications of robots and computer science through building a robot and writing a program to solve a scenario.

Yellow Quill will continue developing the partnership with ISM Canada and focus on introducing technology to youth and encouraging youth to pursue related careers in technology.

Library at NEC

Yellow Quill Holdings continues to lobby the private sector for financial support in restocking the NEC library. United Library Services estimates the cost of restocking to be \$56,000. The Government of Saskatchewan has committed to provide \$20,000 towards library restocking. Annual maintenance of library stock will be facilitated via INAC funds.

Holdings will continue pursuing private sector funds to offset total costs.

Community Career Fair

The annual Community Career Fair has been scheduled to early 2014.

Manufacturing Possibilities

It remains the intention of Yellow Quill Holdings to manufacture product on site at the Archerwill facility but before this can happen the property must first be converted to reserve status. As mentioned, reserve status will provide certain advantages in areas of taxation for raw materials, overhead and corporate profits under a First Nation limited partnership structure. We will continue working with provincial and federal governments to remedy the province's safety concerns while ensuring reserve status becomes a reality.

New Office Building

Since October 31, 2012 when the billboard was posted at the parking lot announcing that Yellow Quill First Nation will construct a new office building - the greatest challenge has been convincing potential tenants to commit beyond their letters of intent to pre-lease agreements.

To date, the only tenant whose committed to signing a pre-lease agreement is First Nations Bank of Canada (FNBC). FNBC expresses a desire to lease 20,700 sq. ft. or roughly 27% of the original five story rendering of 75,000 sq. ft. of rentable floor space.

What this means in terms of financing is that loans for new building construction are driven by projected cashflows and because preleasing is so low - we may have to consider a much smaller building and defer the construction start date to later in 2014. Another option, is to draw significant equity (i.e. mortgage) from the existing property of the First Nations Bank building. This is not something we wish to do because of restrictions it will place on us when funding community assistance. It is our plan to ensure construction debt be contained to the new building and be minimal to FNBB. Although, some debt via mortgage will have

to be drawn from FNBB and used as equity to finance the new building.

The new building project has been a very long process but we cannot build on speculation or hopes that new tenants will be signed for all remaining available space during construction. With uncertainty comes risk - we cannot go blindly into starting construction without building up additional tenants to pre-leasing.

If, by June 30, 2014, we cannot secure additional tenants, we may have to consider construction of a much smaller building. FNBC have made it clear in their pre-lease agreement and in discussions that on-reserve operations is integral to their business plan. If Yellow Quill is unable to provide a building situated on-reserve - FNBC will relocate to another property on-reserve and possibly out of province.

If we construct a smaller building - it will cater to the specific needs of FNBC. An option to consider is construction of a three storey building of 35,000 sq. ft. of rentable floor space with one level of below grade parking.

Please see following page for building specifications of original plan (i.e. 5 storey) and optional plan (i.e. 3 storey).

Next Steps

We will defer construction to mid 2014 while continuing marketing. This will include ongoing promotion to the public and private sector in an effort to secure additional tenants. If, and when, additional tenants are secured - we will resume the construction documents and specifications (CDS) phase of architectural work. Essentially, CDS was put on pause the last few months in an effort to build pre-lease interests. Upon completion of CDS, the Bid phase and Approval and Award will immediately follow. Construction will start in fall 2014.

In the interim, Holdings will collect additional term sheets provided by prospective lenders and evaluate the best possible lending option. Fortunately, commercial lending rates remain low which bodes favorable to borrowing.

We need to get this right the first time and cannot afford mistakes from omissions or taking on unnecessary risk. We must be careful to ensure every possible option and opportunity is explored before being committal to project scale. This project is an investment opportunity for future generations of Yellow Quill membership. We thank you for your patience and understanding.

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ENTITLEMENT**

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Original Plan - 5 Storey

Specifications: 5 Storey, 2 levels of below grade parking of 119 stalls, rentable floor space of 75,000 sq. ft.

Projected Cost: \$35,600,000

Estimated Time Frame of Construction: up to 24 months



Optional Plan - 3 Storey

Specifications: 3 storey, 1 level of below grade parking of 66 stalls, rentable floor space of 45,000 sq. ft.

Projected Cost: \$20,700,000

Estimated Time Frame of Construction: up to 20 months



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