

2018 Annual Report To the Membership of Yellow Quill First Nation

9th Annual Report

May 30, 2018

Inside the 2018 Annual Report:

Message from the Board	I
Year in Review	I
Yellow Quill Holdings: Investments to Membership	2-3
Band Housing Support by Yellow Quill Holdings And Yellow Quill TLE	4
Yellow Quill Holdings: Asset Portfolio	5
Looking Forward	6

Message from the Board

Over the last 7 years, 18,550 acres of TLE land have moved to reserve, including shortfall acres in March 2011. This has resulted in significant annual savings from property tax exemptions by Yellow Quill with local Rural Municipalities.

As Yellow Quill TLE continues moving additional lands to reserve - the TLE land base reduces as do revenues via agriculture leasing.

If the TLE land base is not replenished through new acquisitions or the economic

asset base of Holdings does not expand - current net revenues for Yellow Quill Holdings will be limited.

It is strategically important from an economic standpoint that future land acquisitions by Yellow Quill strongly consider the potential of sub-surface geological and resource potential and not solely surface agriculture leasing.

Quantum acres that remain to be purchased under the Yellow Quill TLE Agreement and converted to reserve status is just over 100,000.

Regarding the Yellow Quill office project, construction documents are now complete. Unfortunately, no new preleasing opportunities have come to fruition - which prevents the project from advancing towards construction.

With that being said, Yellow Quill Holdings was contacted by Regina based Harvard Developments to discuss potential collaborations that may help mitigate project risk and allow the project to finally begin. Discussions are ongoing.

Year in Review:

Yellow Quill TLE Trust

In 2009, the original TLE principal of \$10,391,677 was invested to GICs for various terms and at various rates. In 2011, the Yellow Quill TLE principal was first invested to the Canadian bond market via Ridgewood Capital Asset Management in the amount of \$11,074,430.

As of April 30, 2018, the Book Value of TLE Bonds is \$11,972,816 and Market Value is \$13,986,018.

Appended to this Annual Report is the Portfolio Valuation from Ridgewood Capital Asset Management as at April 30, 2017.

Yellow Quill Holdings

The company owns land in the Rural Municipality of Craik; Rural Municipality of Corman Park; Rural Municipality of Caledonia; and small parcels of land near the main reserve. All agriculture lands are leased at rates per the local markets for either crop production, grazing or hay. The current TLE land base is roughly 1735 acres.

The Saskatoon parking lot was granted reserve status in 2014 and continues to be leased to Imperial Parking Canada.

The First Nations Bank building in Saskatoon is in the final stage of the urban reserve creation process.

The building is leased throughout with the exception of the second floor - which is presently vacant.

Reserve creation is anticipated in early summer 2018.

Accountabilities

The 2017 Financial Statements Review for Yellow Quill Holdings and 2017 Audited Financial Statements for Yellow Quill TLE are nearing completion and will be released in July. Each financial statement will be available at the Band office and Saskatoon Urban office.

This Report and reports for prior years are posted on www.yqfn.ca for download and printing.

Yellow Quill Holdings: Investments to Membership

Yellow Quill Elders

This year, there were sixteen Band members who qualified (i.e. having reached the age of 60 years) for the one time \$5,000 Elder payment.

In December of each year, Holdings provides a Christmas payment to every Elder in the amount of \$250. This payment began in 2011 and will continue going forward.

Yellow Quill Youth

Community Lunch Program

Yellow Quill Holdings will continue to fund the lunch program for on-reserve students and youth during the summer months.

The program starts in July and runs to late August. It is a mobile service that typically provides lunch 3 days per week with home delivery. All Yellow Quill youth are welcome.

Saskatchewan First Nation Summer and Winter Games

Yellow Quill Holdings continues to provide financial support to young athletes from Yellow Quill who participate in either the Summer and Winter Games. Financial support includes covering the costs of athlete accommodations.

Awards for K-12: On-Reserve

Yellow Quill Holdings remains committed to recognizing excellence among on-reserve Yellow Quill students.

As such, math and science based awards will be provided to one NEC student for each grade level and on the basis of strong academics, good attendance, Saulteaux citizenship, and most improved. Awards will be provided on the final day of the school year.

Yellow Quill Holdings will continue to support NEC students by rewarding them for their hard work and dedication to learning.

Awards for Gr.12: Off-Reserve

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

Awards for Gr.12: Equivalency

Yellow Quill Holdings continues to provide a \$300 payment to each Yellow Quill Band member who successfully

completes their Grade 12 Equivalency.

Awards for Certificates And Diplomas

Yellow Quill Holdings continues to provide a payment to each Yellow Quill Band member who successfully completes post-secondary studies with either a Certificate or Diploma.

Post-Secondary Awards

Yellow Quill Holdings continues to provide a one time payment of \$500 to each Yellow Quill Band member who successfully complete post-secondary studies with an undergraduate or graduate degree.

These education initiatives are an on-going annual occurrence by Yellow Quill Holdings. Students and youth should be rewarded for their hard work, dedication and academic commitment.

Yellow Quill Holdings Scholarship

In 2011, Yellow Quill Holdings created two scholarships to honor the memory of Kaydance Pauchay and Santana Pauchay. These scholarships are available each semester to Yellow Quill students enrolled in post secondary studies.

In Fall 2017, the Kaydance Pauchay Scholarship was awarded to Joseph Neapetung and the Santana Pauchay Scholarship was awarded to Christine Bird.

Fall 2017 Kaydance Pauchay Scholarship Recipient: Joseph Neapetung

Regarding his acceptance of the scholarship, Mr. Neapetung states, "I am honoured to have been chosen for the Kaydance Pauchay Scholarship. I would like to extend my gratitude to Yellow Quill First Nation for all the support and encouragement that I have received in my time as a student. This scholarship is especially significant to me as a member of Yellow Quill First Nation for the reason that celebrating the successes of our own people engaged in higher learning sets a standard for the next generation to pursue and surpass. As one of the few Indigenous students in the biomedical sciences, it is my hope to continue to achieve success in order to inspire peers and future generations to pursue fruitful education and groundbreaking careers in the STEM fields. I humbly accept this award and I hope to continue to be of service to the people of Yellow Quill First Nation and beyond."

Fall 2017 Santana Pauchay Scholarship Recipient: Christine Bird

Regarding her acceptance of the scholarship, Ms. Bird states, "I am currently about

to start my second year of Advanced Care Paramedic at NAIT. I am so grateful and appreciative to receive the Santana Pauchay Scholarship and to have to the opportunity to put forth words of encouragement to others pursuing their personal goals in advancing their education. Making the decision and finding the determination to better ourselves each day and move forward isn't always easy and I have certainly struggled at times. With the help and support of family, friends and our community it has made a hard road much easier to walk and we must never forget that we are not alone. I want to encourage you all to never give up on yourself, take it one day at a time and you will prevail! It is your determination and persistence that will make you successful."

Congratulations to each recipient awarded the Kaydance and Santana Pauchay Scholarships for Fall 2017.

Scholarship applications and information can be found at www.yqfn.ca and can be submitted via fax to Yellow Quill Holdings office at (306) 652-2859 or email info@yqfn.ca

Urban Specific Initiatives **Christmas Support**

In December each year, Yellow Quill Holdings provides a gift card (i.e. Extra Foods/ SuperStore) to each urban member, gifts to children, and hosts the annual Christmas dinner for families in both Saskatoon and Regina.

Saskatoon Urban Office

Holdings provides financial support to the Saskatoon Urban office through leasing of property located at # 8-2345 Avenue C North.

Regina Urban Office

Holdings provides financial support to the Regina Urban office through leasing of office space. At present, the Regina Office is looking for a new office location to serve Yellow Quill members in Regina.

Urban Skills Training

On occasion, Yellow Quill Holdings also provides funding for skills training as may be requested by the Saskatoon and Regina Urban Offices.

Yellow Quill Holdings: Investments to Membership

Projected Funds Transfer: January 1 to December 31, 2018

Yellow Quill Holdings continues its usual monthly funds transfer to the Band Administration for certain programs and services that may include:

- Health and Safety (water cisterns, garbage collection, sewer service); and
- Community Supports (wakes, funerals, general emergencies).

The following table depicts the projected funds transfer from January 1 to December 31, 2018 to the Band Administration assuming the delivery of programs/services:

Health & Safety	\$24,000
Community Supports	\$219,084
Total Projected 2018 Transfer to Band	\$243,084

In addition to the above monthly program/service transfers by Yellow Quill Holdings - Yellow Quill TLE services a Band housing loan with Peace Hills Trust. The amount is \$11,171 per month or \$134,052 per year. The following page illustrates the annual and cumulative financial housing allocations provided by Yellow Quill Holdings and Yellow Quill TLE to the Band from 2009 to 2017 inclusive.

Since 2009, the total combined housing allocations by Yellow Quill Holdings and Yellow Quill TLE is roughly \$2.6 million over the last 9 years or an average of \$290,321 each year since 2009.

On-Reserve Agriculture Leasing

In 2017 and at the request of the Band - all on-reserve agriculture leases for Reserve No. 90, Reserve No. 90-8, and Reserve No. 90-18 are administered by Yellow Quill Holdings. These leases comprise an area of 12,827 acres.

Both 2017 and 2018 revenues for the above on-reserve agriculture leases amount to \$194,115 - all revenues collected are directly released to the Band. Payments typically occur in spring and fall each year.

The above noted reserve lands fall under the authority of the Yellow Quill First Nation Land Management Law and First Nations Land Management Act - while remaining reserve lands leased for agriculture purposes fall under INAC lease and permit.

Other Community Supports

Yellow Quill Holdings, from time to time, sponsors or contributes to various fund raising initiatives that are supportive to youth and youth development, sports and recreation or cultural based celebrations such as Treaty day.

Yellow Quill Band Hall Renovation

The recent Band Hall renovation project came in below budget and was completed by the deadline of March 31, 2018.

Total renovations were \$286,446 and with certain amendments to the Funding Agreement under the Canada 150 Community Infrastructure Program with Western Economic Diversification Canada – approximately 75% of all costs or \$214,835 was paid by Western Economic Diversification Canada. The remaining 25% or \$71,611 was paid by Yellow Quill Holdings.



Renovations included: new siding, new soffit and fascia, new eaves troughs, new windows, new doors, new flooring, ceiling repairs, new insulation of attic crawlspace, painting and finishing work throughout, new heating and cooling systems, new ducting throughout ceiling, upgrades to bathrooms, upgrades to kitchen, new natural gas oven, installation of new audio and video system, and a host of other improvements.

Band hall renovations under the Canada 150 Community Infrastructure Program will extend the useful life of the property for many years.

Reporting Requirements

Both Yellow Quill Holdings and Yellow Quill TLE continue to work with the Band administration to ensure compliance of the consolidated audit by Indigenous and Northern Affairs Canada.

Yellow Quill Holdings also submits on an annual basis to the Saskatchewan Corporate Registry of Information Services Corporation - Annual Returns and annual Financial Statements.

This will ensure that the company remains in good standing as a not for profit entity.

Band Housing Support by Yellow Quill Holdings And Yellow Quill TLE (fiscal years 2009-17)

ANALYSIS OF BAND HOUSING SUPPORT BY YELLOW QUILL HOLDINGS/YELLOW QUILL TLE TO YELLOW QUILL FIRST NATION (2009-17)

Jan 01-2018

Fiscal Year Ending	Entity & Description of Financial Support to Yellow Quill Band Housing	Yellow Quill TLE	Yellow Quill Holdings
2017	Yellow Quill TLE: -monthly payment of \$11,171 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -CMHC Equity component sourced from FNFA loaned funds. -repairs & maintenance for YQ Band Properties -financial support for pest control	\$134,052	\$306,628 \$200,000 \$20,000
2016	Yellow Quill TLE: -monthly payment of \$11,171 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$134,052	\$29,533
2015	Yellow Quill TLE: -monthly payment of \$11,171 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$134,052	\$5,629
2014	Yellow Quill TLE: -monthly payment of \$11,269.33 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$135,232	\$16,460
2013	Yellow Quill TLE: -monthly payment of \$11,564.41 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$138,773	\$16,220
2012	Yellow Quill TLE: -monthly payment of \$11,564.25 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ Band Properties -repairs & maintenance for YQ TLE Properties	\$138,771	\$200,000 \$152,568
2011	Yellow Quill TLE: -monthly payment of \$11,564.25 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE Bond income earnings. Yellow Quill Holdings: Repairs & Maintenance for YQ TLE Properties	\$138,771	\$208,242
2010	Yellow Quill TLE: -monthly payment of \$11,564.33 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE GIC income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$138,772	\$153,961
2009	Yellow Quill TLE: -monthly payment of \$11,564.33 is committed to Yellow Quill Housing Loan. Funds are sourced via TLE GIC income earnings. Yellow Quill Holdings: -repairs & maintenance for YQ TLE Properties	\$138,772	\$72,405
Sub Totals		\$1,231,247	\$1,381,646
Total Committed Funds to Yellow Quill Band Housing			\$2,612,893

*Note: Peace Hills Trust Housing Loan serviced by Yellow Quill TLE (predating 2009). Yellow Quill First Nation has committed funds of the Trust to repay the principal and interest of a loan with an original amount of \$1,605,960 taken out for the purpose of the Phase II Capital Housing Project. The loan is to be paid with funds from the Trust once the Trust receives its shortfall Acres Acquisition Certificate. From 2009-2017, payments made on this loan were charged to Band Development.

Yellow Quill Holdings: Asset Portfolio

The asset portfolio for Yellow Quill Holdings includes the First Nations Bank Building; agriculture lands; Saskatoon parking lot; and property located in Archerwill.

Holdings will ensure a reasonable return on investment is achieved and that assets employed are on the basis of “highest and best use”.

Sound financial returns allows Holdings to fund various “investments to

membership” as described on pages 2, 3 and 4. With that being said, Holdings will continue to ensure each asset within the portfolio is fully employed - allowing us to continue funding these important initiatives for Band membership.

First Nations Bank Building (BOMA BEST Certified 2014)

Yellow Quill’s office building located at 224 Fourth Avenue South (i.e. First Nations Bank Building) includes the following tenants:

- First Nations Bank of Canada;
- Star Diamond Corporation (formerly Shore Gold);
- Brock Canada;
- Merchant Law Group;
- Board Dynamics;
- 49 North Resources;
- Ministry of Central Services; and
- Quon Ferguson.

All requirement to urban reserve status are now complete. We are awaiting the Minister of Indigenous and Northern Affairs Canada to sign off and are hopeful that reserve creation can be finalized by June 2018. Under the reserve creation process, the site will be named “Nakaway Ahkeeng” and be included under the Individual

Agreement of the Yellow Quill First Nation Land Management Law.

The granting of urban reserve status for the Yellow Quill building still requires the Nation to pay an annual fee for service (i.e. equivalent to property tax) to the City of Saskatoon for water and sewer, fire protection, and police services.

The Yellow Quill Revenue Laws will allow the Nation to tax building tenants in amounts equal to the School Board portion of the property tax.



Agriculture Lands

Yellow Quill TLE lands are situated in the RM of Corman Park (outside Saskatoon near Wanuskewin Heritage Park), RM of Kelvington, RM of Caledonia (south of Regina), and RM of Craik (south of Saskatoon). The total acres of these properties is roughly 1735.

All lands are leased for either crop production, grazing or hay.

All agriculture leases are at fair market value and reflective of land quality and reflective of area (i.e. similar lands for similar agriculture uses).

Converting TLE land to reserve is to cease having to pay property taxes and to more easily engage and attract potential economic development opportunities that may be available to the Band and that the Band wishes to pursue.

Saskatoon Parking Lot - 240 4th Avenue South

The Yellow Quill property located at 240 4th Avenue South (adjacent to the Yellow Quill building) was granted

urban reserve status in 2014 and continues to be leased to Imperial Parking Canada.

The property will remain under lease until such time that the office project advances towards eventual construction.

Archerwill Property

The School Board Agreement remains to be signed with the local School Board for Archerwill. Also, there are several environmental issues that must be addressed before the property is ready for submission to reserve creation.

At present, the property is not leased but prospective interested parties have shown interest. Yellow Quill Holdings may consider a complete renovation of the property in an effort to attract potential tenants and to ensure the asset remains self sustaining.

YELLOW QUILL HOLDINGS & YELLOW QUILL TREATY LAND ENTITLEMENT

Mail Address
Yellow Quill Holdings
And Yellow Quill TLE
P.O. Box 122
Yellow Quill, SK
S0A 3A0

Phone: 306-652-2849
Fax: 306-652-2859

Email: info@yqfn.ca
www.yqfn.ca

Managing Trustee
Ron Waddington
Email: ron.waddington@yqfn.ca

Council Trustee
Dean Severight
Email: d.severight@yqfn.ca

Elder Trustee
William Machiskinin

Urban Trustee
Leila Nashacappo
Email: l.nashacappo@yqfn.ca

Youth Trustee
Position is Vacant



Looking Forward:

Yellow Quill Treaty Land Entitlement

Yellow Quill TLE will continue converting various TLE properties to reserve, and possibly acquiring additional new lands that have potential for agriculture leasing and, more importantly, subsurface

resource opportunities. Any new land acquisitions will not require a draw from the TLE principal but will be facilitated via the First Nations Finance Authority loan (i.e. \$6,316,000). The loan is ser-

viced by a monthly payment (i.e. \$21,541) from Yellow Quill Holdings. These funds are intended for the purchase of lands with crown minerals and potential of resources and their development.

RM of Corman Park (near Saskatoon)

Before reserve creation can be granted - the property has Caveats and a Builders Lien that must first be removed. These interests originated in 1998-2001 and were a result of a past golf and residential development project.

In 2015, we were successful in removing a Builders Lien by Tri-City Surveys but further legal work is required to have remaining caveats removed.

There are also environmental issues at the yard sites that must be

addressed. In summer 2018, a vacant building on site will be demolished due to it being unsafe and a general liability.

The property is leased out for agricultural uses at market value.

RM of Craik (south of Saskatoon)

The August 2016 TLE land freeze request (i.e. 18 month period) with the government of Saskatchewan officially expired in February 2018. Yellow Quill TLE will likely request a re-freeze extension for an additional 18 months. Land freeze requests come at no cost.

A geological report by Sparling Consulting indicates that preliminary estimates of potash resources within the area of interest for the Yellow Quill lands in the RM of Craik is +6million tonnes per section. And as reported in each Annual Report since 2015 - the 960 acres purchased in the RM of Craik was facilitated through loan proceeds from the First Nations

Finance Authority at market price and for potential resource development. Our project partner, GenSource proposes a demonstration plant that is environmentally responsible (i.e. low water use and no salt tailings on surface) and highly efficient. The facility will have production capacity of 250,000 tonnes per year via solution mining.

At present, GenSource is seeking investment from financial markets that will allow them to raise upwards of \$250 million for their first project. The opportunity of developing the Yellow Quill lands in the RM of Craik is still several years away and there are many

more hurdles and activities that first must happen before the project can proceed.

It would be ideal to purchase minimal amounts of additional land (i.e. 2000 acres) within the project area. Future acquisitions, should they be made, will be via the Yellow Quill Numbered Company to ensure anonymity and to avoid inflated prices from land owners.

The property is leased out for agricultural uses at market value and is presently not in process of moving to reserve. Also, the RM of Craik has shown interest in purchasing clay from hilltop areas of the Yellow Quill land for summer road construction.

Yellow Quill Holdings

ISO 9001:2015 Certification

In early December 2017, Yellow Quill Holdings went through an external audit by IMSM Canada. As a result, the company achieved ISO 9001:2015 Certification. ISO Certification is an international standard that specifies requirements for a quality management system.

Yellow Quill Holdings is among very few First Nation companies in Canada who have successfully attained ISO 9001:2015 Certification.

New Office Building - 240 Fourth Avenue South

With reserve status granted in August 2014, the ongoing challenge that prevents the start of

construction is the securing of preleases in amounts required by lenders (i.e. 65% of rentable floor space). Yellow Quill Holdings is in preliminary discussion with a major Saskatchewan based property owner and developer - in an effort to lessen certain project and financial risks that would allow the office project to advance to construction. This will require future dialogue with both Yellow Quill membership and leadership for presentation and approval.

Proton Ventures BV

Proton Ventures BV have expressed a strong desire in working with Yellow Quill on a small-scale ammonia demonstration plant capable of producing 4,000 tonnes

of ammonia per year for use as fertilizer in agriculture. Proton is a company based in The Netherlands whose expertise lies in ammonia based technology and system processes.

Yellow Quill Holdings is actively engaging various federal government departments for financial support and investment on its behalf - in an effort to mitigate financial risks and to increase Yellow Quill's equity position to the project while minimizing its direct financial investment. Commitments from a local ammonia retailer have been secured for purchase of full annual production. Discussions and due diligence are ongoing.

Description	Quantity	Cost Per Unit	Book Value	Market Price	Market Value	% of Portfolio	Estimated Annual Income	Current Yield	Unrealized Gain/Loss
Cash & Equivalents									
Cash									
Cash & Equivalents									
Accrued Receivable	CAD	37,311	1.00	37,311	1.00	37,311	0.27		
CANADIAN DOLLAR	CAD	250,520	1.00	250,520	1.00	250,520	1.78		
Total Cash & Equivalents				287,832		287,832	2.05		
Total Cash				287,832		287,832	2.05		
Total Cash & Equivalents				\$287,832		\$287,832	2.05		
Fixed Income									
Canadian Fixed Income									
RCAM CDN BOND FUND	MULCB	269,799	11.65	3,143,678	11.88	3,205,943	22.81	123,028	3.8
RIDGEWOOD INV GRADE BOND	RIB.UN	703,985	12.19	8,585,500	15.00	10,559,775	75.14	447,734	4.2
Total				11,729,179		13,765,718	97.95	570,762	4.1
Total Canadian Fixed Income				11,729,179		13,765,718	97.95	570,762	4.1
Total Fixed Income				\$11,729,179		\$13,765,718	97.95	\$570,762	4.1
Total Portfolio				\$12,017,011		\$14,053,550	100.00	\$570,762	4.0

Book Value - Original purchase cost of the security
 \\TSCLIENT\S\HARMONY\REPORTS\