

# 2015 Annual Report To the Membership of Yellow Quill First Nation



6th Annual Report

November 6, 2015

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## Message from the Board

Since 2011, there have been over 17,352 acres of Yellow Quill TLE land that has moved to reserve status. And with more and more TLE land moving to reserve - the land base for TLE is continually shrinking year after year. As an example, there are roughly 170 acres of TLE land around the main reserve. This land is in process of moving to reserve, including properties within the RM of Corman Park.

Future land acquisitions by Yellow Quill should be stra-

telegically made and on the basis of not only surface agriculture leasing opportunities but also subsurface geological potential for resource development.

As it relates to the downtown office project in Saskatoon, the project is still in the marketing and promotion mode. We were hoping the project could have begun sooner but its start date is contingent on securing preleased commitments from tenants. Preleasing is a requirement of mortgage from prospective lend-

ers and ensures that project risk is mitigated. The more preleasing that can be secured will ensure the project can be self-sustaining in servicing of its borrowing obligations.

Yellow Quill Holdings and Yellow Quill TLE, like most other businesses, must be careful in its decision making and exercise caution. This will make certain that decisions made are responsible and in the long-term best interests of current and future members of Yellow Quill.

## Year in Review:

In wrapping up 2014 and for year to date 2015, the investment portfolio of Yellow Quill TLE bonds has performed well. And with less TLE land available for agriculture leasing due to reserve creation additions - Yellow Quill Holdings financial position continues to remain sound.

### Yellow Quill Holdings

The company has minimal agriculture lands in the RM of Corman Park near Saskatoon; RM of Caledonia near Regina; and small pieces of land near the main reserve. All properties are leased at rates consistent to the local market. In early 2015, the company purchased agriculture lands just south of Sas-

katoon.

Lease revenue from the Saskatoon parking lot and First Nations Bank building remain competitive.

### Yellow Quill TLE Trust

As of September 30, 2015, the Book Value of TLE Bonds is \$11,759,809 and Market Value is \$12,780,141. Appended to this Annual Report is an Investment Schedule from Ridgewood Capital Asset Management (Yield = 4.3%).

The TLE principal was first invested to the Canadian bond market via Ridgewood Capital Asset Management in 2011 and in the amount of \$11,074,430.

The September 2015 Market

Value is a notable increase from the May 2009 TLE principal of \$10,391,677 that was invested to GICs for various terms and at various rates.

To ensure long-term fiscal balance, it is important that world financial markets remain stabilized.

### Accountabilities

The 2014 Financial Statements for Yellow Quill Holdings and 2014 Audit for Yellow Quill TLE are complete and available at the Band office and Urban offices in Saskatoon and Regina.

This Annual Report and reports for previous years are posted on [www.yqfn.ca](http://www.yqfn.ca) for download and printing.

## Yellow Quill Holdings: Investments to Membership

### Yellow Quill Elders

Eleven 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 9, 2015.

Each December, Holdings provides a Christmas payment to each Elder in the amount of \$250. Holdings will continue this payment going forward.

### Yellow Quill Youth

#### **Awards for K-12: On-Reserve**

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

- K to 6: Good marks merits a 'Scooter' for each of K to 2, and bike & helmet for each grade of 3 to 6;
- Grades 7 to 9: Good marks merit a camera for each grade; and
- Grades 10 to 12: Good marks merit 'Beats' speakers for each grade.

For good student attendance, each were provided books.

#### **Community Lunch Program**

During summer months when school was out - Yellow Quill Holdings provided a lunch program to on-reserve students and youth from Thursdays and Fridays through to Sunday each week. Attendance was good each day and students and youth were happy to partake. Yellow Quill Holdings would like to continue to provide this program during other times that the school is closed for vacation or holidays.

#### **Awards for Gr.12: Off-Reserve**

Yellow Quill 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, Yellow Quill Holdings provides a payment of \$700 to each Yellow Quill Band member who successfully complete post-secondary studies with an undergraduate or graduate degree.

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

### Yellow Quill Holdings Scholarship

In memory of Kaydance and Santana Pauchay, Yellow Quill Holdings provides two scholarships per semester for Yellow Quill students enrolled in post secondary studies.

In Fall 2014, the Kaydance and Santana Pauchay Scholarships were awarded to Valene Smokyday and Terri Peequaquat and Jamie Lowther. And in Spring 2015, the Kaydance and Santana Pauchay Scholarships were awarded to Jolane Bourne and Dennis Cook, respectively.

#### **Fall 2014 Kaydance Pauchay Scholarship Recipients: Valene Smokyday and Terri Peequaquat**

##### **Valene Smokyday**

Ms. Smokyday is in her final year of Indigenous Social Work at the Northern Campus of First Nations University of Canada in Prince Albert. Valene is completing her Bachelor of Indigenous Social Work. Ms. Smokyday was elated to have been awarded the Fall 2014 scholarship.

##### **Terri Peequaquat**

Ms. Peequaquat is an SIIT student in the Community Services Addictions diploma program. The scholarship has made it possible for Terri to move to Regina where she will be doing her four-month practicum at the Youth Detoxification Centre with aspirations of becoming an Addictions Worker upon her completion of practicum. Ms. Peequaquat was grateful to have received the funds which will help her further her career.

#### **Fall 2014 Santana Pauchay Scholarship Recipient: Jamie Lowther**

Mr. Lowther intends to use the scholarship funds towards obtaining his H2S Alive, OSSA fall arrest, OSSA confined spaces and OSSA fire watch. Jamie aspires to land a job in

the oil industry and further his career in welding. Mr. Lowther is thankful to Yellow Quill Holdings for this scholarship - funds will be put to good use in furthering his skills and training.

#### **Spring 2015 Kaydance Pauchay Scholarship Recipient: Jolane Bourne**

Ms. Bourne is very grateful to have received the scholarship award as she is a 44 year old single mom disabled by a head injury. Her disability left her with no options to return to her career as a chef of 20 years and didn't feel that giving into the circumstances of her injury was an option. Instead, she chose to return to school and take a small business degree program with DeVry. Jolane is "thankful for this opportunity and hopes others will follow to climb the ladder of education".

#### **Spring 2015 Santana Pauchay Scholarship Recipient: Dennis Cook**

Mr. Cook is honored to have received the Spring 2015 scholarship. Upon receiving his diploma in the Medical Office Assistant Course, Dennis decided to further his medical education and attend University in the fall 2015. Mr. Cook "strongly encourage everyone to strive for an education. Go forward with courage."

Congratulations to each of the recipients awarded the Kaydance and Santana Pauchay Scholarships for Fall 2014 and Spring 2015.

Yellow Quill Holdings encourages all students presently enrolled in post secondary studies to submit an application for scholarship funding.

### Urban Specific Initiatives

#### **Christmas Support**

Each December, Holdings provides gift cards (\$100 value) to urban members, gifts to children, and hosts the annual Christmas dinner for families in Saskatoon and Regina.

#### **Saskatoon Urban Office**

Holdings is supportive to the Saskatoon Urban office through leasing of # 8-2345 Avenue C North. On occasion, Holdings also provides funding for skills training as requested by the Saskatoon office.

#### **Regina Urban Office**

Holdings is supportive to the Regina Urban office through leasing of 1246 Albert Street. On occasion, Holdings also provides funding for skills training as requested by the Regina office.

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

### **Funds Transfer: January 1 to December 31, 2015**

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

- On-reserve New Housing or renovations;
- Health and Safety (water cisterns, garbage collection, and sewer service); and
- Band Member Assistance (wakes, funerals, emergencies, sports and recreation, and workforce assistance).

The following table depicts the projected fund transfer from January 1 to December 31, 2015 to Band Administration assuming the delivery of programs/services:

*New Housing	\$200,000
Health & Safety	\$24,000
Band Membership Assistance	\$219,084
Administration & Management Fee	\$30,000
<b>Total Projected 2015 Transfer to Band</b>	<b>\$473,084</b>

*\*Yellow Holdings will defer the new housing allocation of \$200,000 to 2016 pending the INAC approved CORP funds held by the Band in the amount of \$323,2013 (2014/2015 Office Project: \$180,000; 2014/2015 Potash Project: \$143,213) are returned to ensure approved expenditures for each project are made accordingly.*

In addition to program/service transfers, Holdings will allocate certain funds to collective on-reserve training initiatives and need within the community. This may include programs such as essential skills training or any related training program that is of interest and benefit to securing employment by band membership.

### **Yellow Quill Safe House**

To ensure the Yellow Quill Safe House is put to good use and in a state of being "operation ready". Yellow Quill Holdings will fund unfinished work and repairs that were started years ago. The estimated capital costs for all repairs and deficiencies may be as high as \$50,000. This amount does not include costs for office furniture and equipment, facility appliances and furniture, client ancillary items and furniture. In an effort to offset these costs, Yellow Quill Holdings is lobbying the provincial government and corporations to assist in donations of assets that are needed.

Yellow Quill Holdings is also canvassing provincial and federal governments for long-term funding commitments

that will allow the Yellow Quill Safe House to be operational in serving the community and membership.

### **Yellow Quill Gas Bar**

The Yellow Quill Gas Bar is a staple within the community - band members and local residents rely on the Gas Bar for goods, employment, and socializing in general. It is the desire of Yellow Quill Holdings that the Gas Bar continues its service but that certain levels of support be made needed to ensure its success. These levels of support by Yellow Quill Holdings may include the provision of: a repayable operating loan(s) that is specific to purchase of goods and services and/or repairs to property; management oversight to ensure informed business decisions are being made and that proper due diligence is being followed; recommendations to suitable business structures that allow the separation of politics from business; and introduction of necessary policies, procedures and manuals necessary to sound business operations. The allocation of an operating loan is contingent on recommendations to management being followed and positive results (i.e. profit and good retail service) being achieved. Period reviews will be completed and both operational and strategic plans will be developed.

Yellow Quill Holdings will not position itself to making decisions on behalf of management nor will it assume the role of management.

### **Governance Committee**

Yellow Quill Holdings is working in collaboration with assigned Council members, Chief Machiskinic and Slusar Law to undertake a review and revision of the Yellow Quill First Nation Election Act and other necessary policies, procedures, and protocols that promote and foster good governance and accountability. Much of the work by the Governance Committee is specific to band managed programs, services, departments and general band administration - it is also inclusive to Band owned enterprises and business entities. It is a matter of determining which policies, procedures, and protocols may be in place, when they were last reviewed and revised, and identifying those that are non-existent. The intent is to ensure policies, procedures, and protocols are contemporary and reflect the ever changing needs of the First Nation.

The Governance Committee is only a recommending body - it does not make decisions for approval of amended policies, procedures, and protocols. Those decisions rest with Chief and Council of Yellow Quill First Nation.

### **Reporting Requirements**

Yellow Quill Holdings and Yellow Quill TLE will continue to work with the Band Administration to ensure compliance of reporting requirements of consolidated audit by Indian and Northern Affairs Canada. Yellow Quill Holdings also submits to the Saskatchewan Corporate Registry, Annual Returns and annual Financial Statements. This ensures that the company remains in good standing as a not for profit business.

## Yellow Quill Holdings: Asset Portfolio

The asset portfolio for Yellow Quill Holdings remains unchanged and includes: First Nations Bank Building; Agriculture Lands; Saskatoon Parking Lot; and Archerwill Property.

Yellow Quill Holdings wants 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.

### First Nations Bank Building

Yellow Quill's office building notably referred to as "First Nations Bank Building" is leased at rates that are reflective to fair market value for Class B office space in Saskatoon. Current tenants include the following:

- First Nations Bank of Canada;
- Shore Gold;
- MPE Engineering Ltd.;
- Merchant Law Group;
- Board Dynamics;
- Industrial Alliance Securities Inc.;
- 49 North Resources;
- Ministry of Central Services (MOCS, Family Law, Crown Prosecutor, Court

of Queens Bench);  
-Nova-Tek Innovations; and  
-Quon Ferguson.

At present, we do have a vacancy on the second floor which will be filled in early 2016 by a current tenant looking for additional space.

To ensure the Yellow Quill property remains competitive, numerous upgrades were made to increase energy efficiency. And in 2014, the building attained BOMA Best certification for environmental and efficiency upgrades.

In 2015, building improvements included a focus on building safety with a new fire alarm panel and new smoke alarms being installed throughout. The membrane of the parkade was also replaced to preserve and sustain the underlying cement foundation.

In early 2016, both elevators may need to be replaced at a total estimated cost of \$400,000 (i.e. \$200,000 per elevator). The elevators in service at the Yellow Quill building are original units.

### Agriculture Lands

Lands acquired for the purposes of agriculture lease and hay production are situated in the following rural municipalities:

- Corman Park;
- Kelvington;
- Caledonia; and
- TEXT REMOVED.

Agriculture leases are at fair market value and agreements are in place with local farmers to the area.

The current TLE land mass for all properties within the various described RMs is roughly 1906 acres. Of this amount, 170 acres (i.e. former John Martin property: 115 acres; Archerwill property: 4.49 acres; Bluestone Pit: 51 acres) is in final process of transition to reserve and another 251 acres (i.e. RM of Corman Park) is in preliminary transition to reserve.

Once these properties in transition to reserve are approved, the remaining TLE land mass will only be 1485 acres.

The rationale of converting TLE properties to reserve status is to cease the requirement of having to pay property tax, and to better pursue potential business opportunities in their development.

The remaining quantum acres that can be purchased under TLE and converted to reserve status is nearly 100,000 acres.

### Saskatoon Parking Lot - 240 4th Avenue South

Reserve creation for the Saskatoon parking lot was granted by AANDC in late 2014. The property continues to be leased to Imperial Parking Canada on a

month to month basis - this is to ensure the proposed office project is not impeded in its commencement of construction and that revenues are

generated up to the day when soil is first turned.

### Archerwill Property

Since December 2014 and to the present, the Archerwill property is being leased to Graham Brother Drilling Ltd. The tenant is responsible for lease payment, payment of

utilities and general care and minor maintenance of the property. Leases are signed for terms of six months at a time.

## Looking Forward:

### Yellow Quill Treaty Land Entitlement:

In 2016, Yellow Quill TLE will remain focused on continuing endeavors of converting TLE lands to reserve and acquiring additional lands with opportunities of resources and agriculture leasing in mind.

Land acquisitions will not require a draw from the Yellow Quill TLE

principal. Financing is sourced via a loan from First Nations Finance Authority (FNFA). The borrowed amount was \$6,316,000 at a rate of 2.5% per annum and monthly payment of \$21,541. Loan is secured by Yellow Quill Holdings revenues and funds are intended for the purchase of lands with subsurface

crown minerals and potential of resources.

In purchasing lands, it is with good reason that Yellow Quill TLE funds remain invested at annual yields of 4.3% while borrowing can be sought at an attractively low rate.

### Reserve Creation

#### RM of Corman Park

In converting Yellow Quill lands to reserve within the RM of Corman Park - a number of caveats must first be removed from title. The following is a brief description of each:

-SE-Sec-.16-38-4-W3, CNV Caveat by 101152283 Saskatchewan Ltd with a value of N/A; CNV Builders Lien by Tri-City Surveys with a value of \$18,350; CNV Builders Lien by North Prairie Developments with a value of \$143,010.

-Lot 8, CNV Caveat by 101152283 Saskatchewan Ltd; CNV Builders Lien by North Prairie Developments with a value of \$143,010.

-LSD 3 Sec.16-38-4-3 Ext 64, CNV Builders Lien by Tri-City Surveys with a value of \$18,350; CNV Caveat

by 101152283 Saskatchewan Ltd; CNV Caveat Builders Lien by North Prairie Developments with a value of \$143,010.

-LSD 4 Sec.16-38-4-3 Ext 65, CNV Builders Lien by Tri-City Surveys with a value of \$18,350; CNV Caveat by 101152283 Saskatchewan Ltd; CNV Caveat by North Prairie Developments with a value of \$143,010.

-LSD 5 Sec.16-38-4 Ext 66, CNV Builders Lien by Tri-City Surveys with a value of \$18,350; CNV Caveat Interest by 101152283 Saskatchewan Ltd.

-LSD 6 Sec.16-38-4 Ext 67, CNV Builders Lien by Tri-City Surveys with a value of \$18,350; CNV Caveat Interest by 101152283 Saskatchewan Ltd.

Yellow Quill Holdings served a Notice to Lapse Caveats in September 2015 - we were successful in removing Builders Lien by Tri-City Surveys but will be going to court in having remaining caveats by 101152283 Saskatchewan Ltd and North Prairie Developments removed.

Caveats and Builders Lien originated circa 1998-2001 as a result of a residential development project by the Yellow Quill Group (i.e. Yellow Quill Holdings, Yellow Quill Development Corporation, Yellow Quill Numbered Company) and Auzano Group.

### Land Freeze, Land Acquisitions and Resource Exploration:

#### TLE Land Freeze

To facilitate a potential resource project with a Saskatoon based exploration company, Yellow Quill initiated a land freeze of subsurface crown minerals in an area encompassing 33,700 acres. The land freeze to the Government of Saskatchewan (GOS) granted Yellow Quill an 18 month period from April 3, 2014 to October 10, 2015 wherein surface must be acquired.

#### TLE Land Freeze Extension

Prior to October 10, 2015, Yellow Quill requested GOS to extend the TLE land freeze for an additional 18 month period and for a reduced area of 24,002 acres. GOS will have ninety days to review the extension request and approve, request additional information or deny.

#### AANDC CORP Funding

In 2014, AANDC approved \$143,213 in CORP funding for Yellow Quill

Holdings to acquire and analyze certain geological data. This would enable Holdings to make an informed decision as it relates to determining which lands to purchase and which lands to avoid - in finding potential potash deposits.

As a result, Holdings used CORP funds to: purchase 2D seismic information from Calgary based Di-vestco; purchase historic well log data from GOS; and engage Dr. Don Gendzwill, Sparling Consulting to conduct an analysis of geological data acquired. Remaining CORP funds were used for commissioning of a Scoping Study by North Rim Exploration Ltd.

Preliminary estimates of potash resources within the area of interest may support +6million tonnes of final saleable product per section (sq. mile) - meaning only a very

small and focused land area is required for a long life mine.

#### Recent Land Acquisitions

Properties recently purchased in the "TEXT REMOVED" was sourced via FNFA loan proceeds. At present, lands are leased for grain and hay.

#### Additional Land Acquisitions

Yellow Quill Holdings will purchase minimal amounts of additional land (i.e. 2000 acres) within the area. We will continue the employ of a Numbered Company to ensure anonymity and avoid inflated prices from land owners who would have otherwise asked a higher price from a prospective First Nation buyer.

**YELLOW QUILL HOLDINGS & YELLOW QUILL TREATY LAND ENTITLEMENT**

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**Looking Forward:**

**Yellow Quill Holdings**

**New Office Building - 240 Fourth Avenue South**

The greatest challenge facing the start of the Yellow Quill office project continues to be the securing of preleasing in amounts sufficient to satisfy the expectations and requirements of lenders.

At present, Yellow Quill Holdings has secured pre-lease commitments (i.e. 10 year lease) from First Nations Bank of Canada (FNBC). FNBC express a desire to lease a minimum of 20,700 sq. ft. or roughly 27% of the original five story rendering (i.e. 75,000 sq. ft. of rentable floor space). Yellow Quill Holdings has also secured pre-lease commitments (i.e. 10 year lease) from a law firm for 5,000 sq. ft.

Combined pre-leasing is about 34% of rentable floor space - much lower than the 65% threshold of pre-leasing typically expected by lenders for a project of this size.

Specifically, lenders look at projected future cash flow when considering approval of a mortgage - the availability of cash flow to cover debt service (i.e. 1.1 to 1.25 x cash flow). Simply put, the more rentable floor space pre-leased will help de-risk the project and ensure lenders will have their loan paid in full.

Fortunately, commercial lending rates remain low and are not expected to increase until at least 2016.

**AANDC CORP Funding**

In early 2015, AANDC approved \$180,000 in CORP funding for Yellow Quill Holdings to continue its work on Design Development and also Construction Documents.

Design Development is a matter of

reviewing and confirming the building program requirements including adding a second level of below grade parking.

Construction Documents is essentially the commencement to rationalizing and preparing detailed drawings and specifications. The drawings and specifications will define the quality control for the construction contract between Yellow Quill and its Contractor.

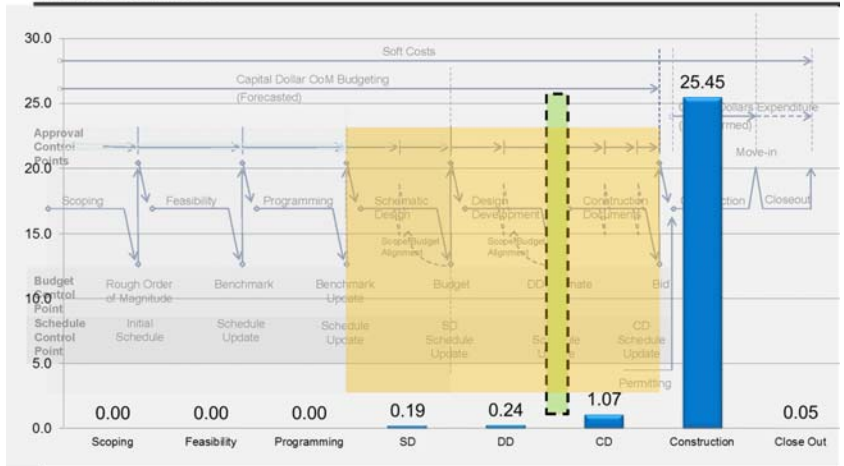
The table below illustrates the progress of development to date, current phase, and additional phases to construction and occupancy.

the end of 2015/2016.

As it relates to the Yellow Quill office project, the economic development branch of AANDC has been very generous and very supportive. AANDC has allocated over \$617,000 towards soft costs in the development of the office project.

Going forward to 2016, Yellow Quill Holdings will continue to explore funding opportunities from AANDC - specific to the office project. These funds will help in building equity by Yellow Quill when the time comes for construction to begin.

**240Fourth**



November 3, 2015

**Next Steps**

In June 2014, the Yellow Quill office project CORP funding application was approved by AANDC for \$1.0 million. And because the project was unable to begin prior to the end of the 2014/2015 fiscal year - the funding was not released by the department. With the release of \$180,000 in CORP funding by AANDC in January this year - the department was still in a position to release an additional \$820,000 towards the office project - pending construction to begin prior to

**Patience is a Virtue**

The discussion to the Yellow Quill office project began in late 2010 - we have come along way.

In retrospect, we did everything right as far as due diligence - the market simply changed on us. The economy in Saskatchewan has seen recent retraction as economic indicators (i.e. price of oil and uranium) have shown.

Timing is everything - the project will move when the opportunity is right for Yellow Quill.

