

2016 Annual Report To the Membership of Yellow Quill First Nation



7th Annual Report

July 18, 2016

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Message from the Board

Over the past five years, approximately 18,144 acres of Yellow Quill TLE land moved to reserve. And there remains roughly 120 acres of TLE land within the vicinity of the main reserve that will soon move to reserve. Other lands in eventual transition to reserve include lands in the RM of Corman Park and Archerwill property.

As TLE lands move to reserve from year to year and new lands not acquired - the land base for TLE will continually shrink.

With that being said, future land acquisitions by Yellow Quill should be strategically based not only on surface agriculture leasing but more importantly subsurface geological potential for resource development.

Regarding the proposed Yellow Quill office project of 240 Fourth Avenue - this project is currently in the construction documents phase. We continue to seek pre-lease commitment from prospective tenants. At present, we have only First Nations Bank of Canada and a

small law firm who have expressed interest. The economic uncertainty within various sectors and industries does not, at the moment, bode well to securing additional leases. Nonetheless, we will continue to press forward on marketing and promotion in hopes that an anchor tenant will be found. It would have been ideal to have started construction years ago but sufficient pre-leasing by lenders is required to secure mortgage. This will effectively mitigate project risks.

Year in Review:

For 2016, the investment portfolio of Yellow Quill TLE bonds continues to perform well. And with less TLE land available for agriculture leasing due to reserve creation - Yellow Quill Holdings financial growth is marginal but secure.

Yellow Quill TLE Trust

As of June 30, 2016, the Book Value of TLE Bonds is \$11,940,787 and Market Value is \$13,729,253. Appended to this Annual Report is the Portfolio Valuation from Ridgewood Capital Asset Management (Average Yield = 3.80%).

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 June 2016 Market Value is a notable increase from the May 2009 TLE principal of \$10,391,677 invested to GICs for various terms and at various rates.

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

Yellow Quill Holdings

The company has minimal agriculture lands in the "TEXT REMOVED"; RM of Corman Park near Saskatoon; RM of Caledonia near Regina; and smaller parcels of land near the main reserve.

All properties are leased at rates consistent to the local market and via multi-year agreements.

Leases from the Saskatoon parking lot and First Nations Bank building remain competitive, despite slowed economic growth in the province.

Accountabilities

The 2015 Financial Statements for Yellow Quill Holdings and 2015 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 prior years are posted on www.yqfn.ca for download and printing.

Yellow Quill Holdings: Investments to Membership

Yellow Quill Youth

Community Lunch Program

During the summer when school is out - Yellow Quill Holdings funds a lunch program for on-reserve students and youth for three days each week. The Community Lunch Program runs from mid-June to late August.

Awards for K-12: On-Reserve

Yellow Quill Holdings remains committed to recognizing excellence among on-reserve Yellow Quill students. As such, the following math and science based rewards were provided to one NEC student for each grade level and on the basis of good grades:

K - Tote and go laptop
 Grades 1-2: Science telescopes
 Grade 3: Cyber googles
 Grade 4: Math slam electronic device
 Grade 5: Land and sky device
 Grade 6: Kurio touch i-pads
 Grades 7-8: Kurio extreme tablets
 Grade 9: Tablets
 Grades 10-11: Bookbags/sunglasses/water bottles

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

Yellow Quill Holdings also provided funding that was matched to fund raising by the YQFN School Business Club and their year-end trip. Funds were allocated directly to NEC School.

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.

Yellow Quill Elders

Eighteen Band members qualified (i.e. having reached the age of 60 years) for the \$5,000 Elder payment this year with payment being issued on Treaty Day of June 7, 2016.

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

Post-Secondary Awards

To acknowledge band members who pursue higher learning opportunities, Yellow Quill Holdings provides a payment of \$700 to each Yellow Quill band member who successfully complete post-secondary studies with an under-graduate or graduate degree.

These education initiatives are an ongoing 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 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 2015, the Kaydance Pauchay Scholarship was awarded to Destinee Perillat and the Santana Pauchay Scholarship was not awarded due to no applications being received. And in Spring 2016, the Kaydance and Santana Pauchay Scholarships were awarded to Jacqueline Peeace and Denise Moose, respectively.

Fall 2015 Kaydance Pauchay Scholarship Recipient: Destinee Perillat

Destinee Perillat is pursuing an Arts and Science degree from the University of Saskatchewan and aspires to broaden her knowledge and work towards a career helping Aboriginal people. Destinee is quoted as saying, "I may be struggling now but I know with the support and guidance of my family I will soon know what I'm destined to do. It doesn't matter how long it takes me to figure out what will make happy, I know one thing for sure is that I will never give up."

Spring 2016 Kaydance Pauchay Scholarship Recipient: Jacqueline Peeace

Jacqueline Peeace is a third year university student pursuing a commerce degree from the University of Calgary. Jacqueline is quoted as

saying, "I am fascinated by finance, and marketing, but I also have a passion for helping people and communities. One thing that I want to share with anyone reading this as an encouragement would be that you are in control of your future. Your circumstances might be challenging and difficult, but it is your own decisions that determine the outcome of what your life will look like. So as cliché as it sounds, work hard, persevere, and take advantage of every opportunity that comes your way".

Spring 2016 Santana Pauchay Scholarship Recipient: Denise Moose

Denise Moose chose welding as her career of choice and has completed nearly 3600 hours in welding and is working towards her journey-person status. Denise is quoted as saying, "I also would like to work on becoming a mechanic. I wouldn't be where I am today without hard work, perseverance, dedication and most importantly my family. Life will always have bumps in the road. All we have to do is think positive and believe in ourselves that we can achieve anything because anything is possible."

Congratulations to each of the recipients awarded the Kaydance and Santana Pauchay Scholarships for Fall 2015 and Spring 2016.

Yellow Quill Holdings encourages all students presently enrolled in post secondary studies to submit an application for scholarship funding. Scholarships can be found at www.yqfn.ca and submitted via fax to Yellow Quill Holdings at (306) 652-2859 or email to info@yqfn.ca

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 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 property located at 1246 Albert Street.

Urban Skills Training

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

Yellow Quill Holdings: Program/Service Transfer to Band Administration

Funds Transfer: January 1 to December 31, 2016

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
- Community Supports (wakes, funerals, emergencies).

The following table depicts the projected fund transfer from January 1 to December 31, 2016 to Band Administration assuming the delivery of programs/services:

*New Housing	\$200,000
Health & Safety	\$24,000
Community Supports	\$219,084
Administration & Management Fee	\$30,000
Total Projected 2015 Transfer to Band	\$473,084
<p><i>*Yellow Quill Holdings will defer the new housing allocation of \$200,000 until such time that INAC approved CORP funds held by the Band in the amount of \$323,213 (2014/2015 Office Project: \$180,000 from January 2015; 2014/2015 Potash Project: \$143,213 from July 2014) are returned in full.</i></p>	

Yellow Quill Holdings will, according to its budgets, allocate certain funds to on-reserve training initiatives pending uptake and interest within the community. This may include essential skills training or related training that can lead to securing of employment by band membership.

Yellow Quill Safe House

In the latter part of 2015, Yellow Quill Holdings engaged the services of a local contractor to complete various renovations to the Yellow Quill Safe House. This included the allocation of \$33,550 towards completing outstanding requirements and certain deficiencies that prevented the facility from being operational ready.

There still remains work to be completed and items to be purchased (i.e. office furniture and equipment, facility appliances and furniture, client ancillary items and furniture) that will allow the facility to be open for use. To help offset these costs, Yellow Quill Holdings is lobbying the provincial government, corporations and private donors to sponsoring items, as needed.

Yellow Quill Holdings is also assisting the First Nation in discussions with provincial and federal governments

to secure long-term funding that allows the Safe House to be operational in serving the community and membership.

Yellow Quill Gas Bar

Yellow Quill Holdings working in collaboration with the Nation, prepared and submitted a funding application to Dakota Dunes Community Development Corporation (DDCDC). The intention of this application is to secure funds that can be used towards construction of a new band store. To date, DDCDC have not made a decision as to approval or denial of the application.

And to offset costs of new construction and potential investment by DDCDC, Yellow Quill Holdings is prepared to offer financial support on the basis of a repayable long-term loan to the band store. A decision for new construction should be made in concert to the implementation of a new and suitable business structure that separates politics from business and introduces necessary policies, procedures and manuals for sound business operations. If funds from DDCDC cannot be secured - it is not likely that new construction will occur.

Also, Yellow Quill Holdings will not position itself to making decisions on behalf of management nor will it assume the role of management. Those decisions rest with the Store Manager and/or related committee.

Governance Committee

Yellow Quill Holdings works in collaboration with Chief John Machiskinic, assigned Council members and Slusar Law. The Governance Committee continues to conduct a comprehensive review and revision of the various Yellow Quill First Nation acts, policies, procedures and protocols - that are specific to band programs, services, departments and general band administration.

The work by the Governance Committee will ensure acts, policies, procedures, and protocols are not only up to date and reflective of the ever changing needs of the Nation but that such directives reflect sound accountability and promote good governance.

It should be noted that 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 the Chief and Council of Yellow Quill First Nation.

Reporting Requirements

Both Yellow Quill Holdings and Yellow Quill TLE continue to work with the Band administration to ensure compliance of reporting requirements of the 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 entity.

Yellow Quill Holdings: Asset Portfolio

Relative to 2015, the asset portfolio for Yellow Quill Holdings remains unchanged.

Our current asset mix includes: First Nations Bank Building; Agriculture

Lands; Saskatoon Parking Lot; and Archerwill Property.

Yellow Quill Holdings, in its endeavors, will ensure the highest return on investment is achieved and

that assets employed are on the basis of “highest and best use”.

In summary, solid financial returns equate to additional and increased investments into the community .

First Nations Bank Building

Yellow Quill’s office building often 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. Our 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 (Crown Prosecutors Office);

-Nova-Tek Innovations; and
-Quon Ferguson.

To ensure the Yellow Quill building remains competitive within the commercial lease market of the Central Business District - various upgrades and improvements were necessary including increased energy efficiencies to achieve BOMA Best certification (2014).

Also, this fall both elevators of the building will be replaced at a total estimated cost of \$305,000 (i.e. \$152,500 per elevator). Contract for

work has been awarded to Regina Elevators, as per a competitive Request for Proposals process. Also, both cab interiors will be completely refurbished at a total cost of \$50,000 (i.e. \$25,000 per cab). Elevators in service at the Yellow Quill building are both original units.

In an effort to attract more First Nation tenants, the building will transition to reserve status. This will ensure First Nation businesses who want to operate on reserve and be located downtown, have a choice. At present, there are no office buildings located on an urban reserve in downtown Saskatoon.

Agriculture Lands

At present, the TLE land mass for all properties within the various RMs of Corman Park, Kelvington, Caledonia, and “TEXT REMOVED”, amount to roughly 1906 acres.

Of this amount, 170 acres (i.e. 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.

All lands are presently leased for either grain or hay production, and at fair market value with local farmers to the area.

Once these properties transition to reserve - the remaining TLE land mass will be 1485 acres.

The idea of converting TLE lands to reserve status is to cease having to pay property taxes, and to better pursue potential business opportunities that may be sought.

It should be noted that the remaining quantum acres for Yellow Quill First Nation is 100,000 acres. This is land that can still be purchased under the TLE process and converted to reserve status.

The potential opportunity of targeting specific subsurface resource opportunities with quantum acres has enormous potential to generate royalties, property tax revenues, procurement opportunities, and employment and training opportunities. The surface can also be leased for agricultural uses.

Saskatoon Parking Lot - 240 4th Avenue South

In late 2014, urban reserve creation for the Saskatoon parking lot was granted by then INAC Minister Bernard Valcourt.

The property continues to be leased to Imperial Parking Canada on a month to month basis to ensure the proposed office project is not imped-

ed in its commencement towards construction and that revenues can still be generated up to the day when soil is turned.

Archerwill Property

In early June 2016, Graham Brother Drilling Ltd. provided notice that they would be vacating the Archerwill property and that the lease would come to an end as of June 30 and not be renewed.

To ensure the property continues to earn revenue, Yellow Quill Holdings will be seeking a new tenant from within the area and market the property to prospective interested parties.

YELLOW QUILL HOLDINGS & YELLOW QUILL TREATY LAND ENTITLEMENT

Mail Address
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And Yellow Quill TLE
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William Machiskinik

Urban Trustee
Leila Nashacappo
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Youth Trustee
Anastasia Squirrel
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Looking Forward:

Yellow Quill Treaty Land Entitlement

Going forward, Yellow Quill TLE remains focused on converting existing TLE lands to reserve, and acquiring additional new lands with opportunities of resources and agriculture leasing.

New land acquisitions will not require a draw from the Yellow Quill TLE principal. Financing is sourced via a loan from First Nations Finance Authority. The borrowed amount was \$6,316,000 and

is serviced by a monthly payment of \$21,541 from Yellow Quill Holdings. Funds are intended for the purchase of lands with crown minerals and potential of re-sources.

Reserve Creation:

RM of Corman Park

In converting Yellow Quill lands to reserve within the RM of Corman Park - a number of caveats must be 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.

Yellow Quill Holdings served a Notice to Lapse Caveats in Sep-

tember 2015 - we were successful in removing Builders Lien by Tri-City Surveys but are in court to have remaining caveats by 101152283 Saskatchewan Ltd and North Prairie Developments removed.

Land Freeze, Resource Exploration, and Land Acquisitions:

TLE Land Freeze And Land Freeze Extension

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

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 have since approved another 18 month

extension which will expire in April 2017 or thereabouts. Land freeze requests to GOS are at no cost.

INAC CORP Funding

In 2014, INAC approved \$143,213 in CORP funding for Yellow Quill Holdings to acquire and analyze geological data. This would allow us to make an informed decision as it relates to determining which lands to purchase - in finding potential potash deposits. CORP funds were used to: purchase 2D seismic from Divestco; purchase historic well log data from GOS; engage Sparling Consulting to conduct an analysis of geological data; and to seek geological ad-

visement from North Rim Exploration Ltd. Preliminary estimates of potash resources within the area of interest may support +6million tonnes of product per section (sq. mile) - meaning only a very small and focused area is required for a long life mine.

Additional Land Acquisitions

Yellow Quill Holdings must purchase minimal amounts of additional land (i.e. 2000 acres) within the project 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

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 pre-leasing in amounts sufficient to satisfy the requirements of lenders.

At present, Yellow Quill Holdings has secured pre-lease commitments (i.e. 10 year lease) from First Nations Bank of Canada for a minimum of 20,700 sq. ft. or roughly 27% of the five story rendering (i.e. 75,000 sq. ft.). We

have 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 expected by lenders.

Next Steps

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

To date, INAC has funded over \$727,740 towards soft costs relating to the Yellow Quill office pro-

ject and are committed to funding additional amounts, if more pre-leasing is secured.

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

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



Yellow Quill
HOLDINGS