

PEGUIS FIRST NATION

SURRENDER CLAIM TRUST

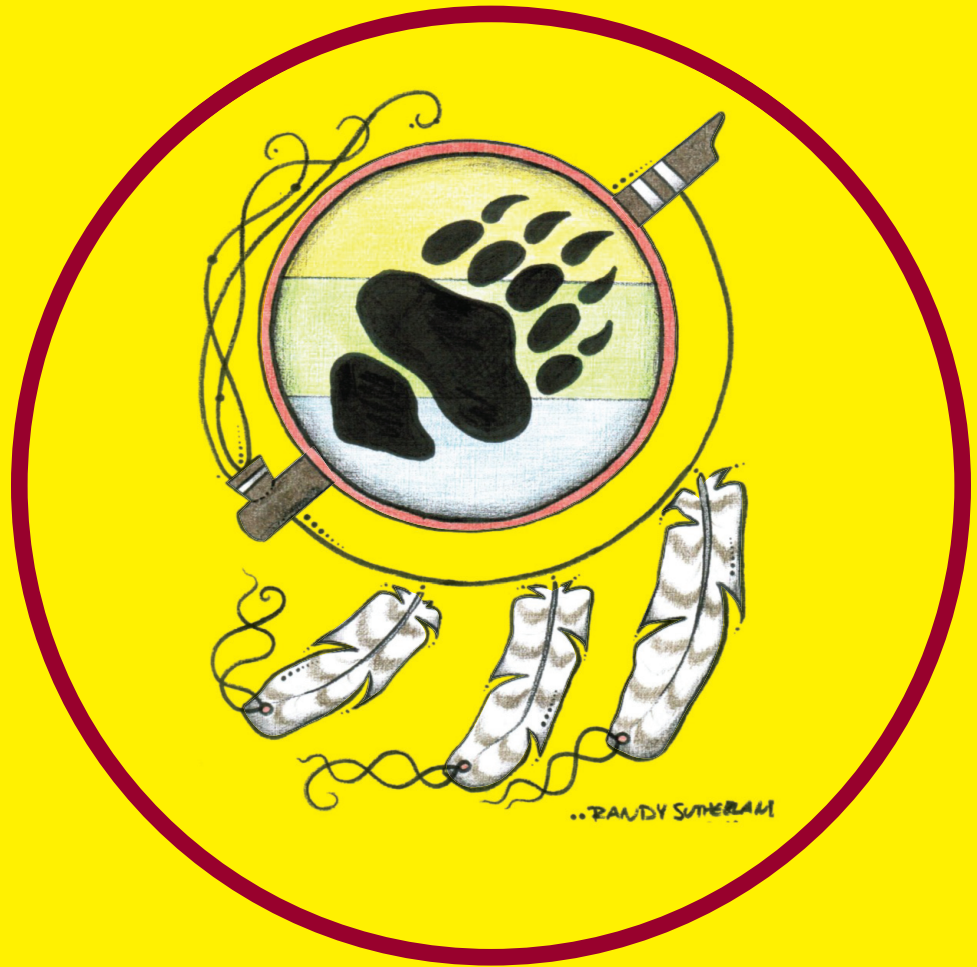
TRUSTEES

COMMUNITY FUND

Katina Cochrane
Robert Delorme
Hal Sutherland
Lloyd Sinclair

FINANCIAL

Gerald McCorrister
Elva McCorrister
Errol Wilson
Eric Bear
Bill Willms (Corporate)



MAY 26, 2012

ANNUAL
GENERAL REPORT 2011

PEGUIS FIRST NATION SURRENDER CLAIM TRUST



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Our Mission Statement

“To manage and safeguard the Trust so it will benefit the people of Peguis for all time. We are dedicated to apply our resources to support Peguis, to build a strong nation, to elevate the quality of life for our people and to preserve and protect the legacy that defines us as a sovereign nation.”

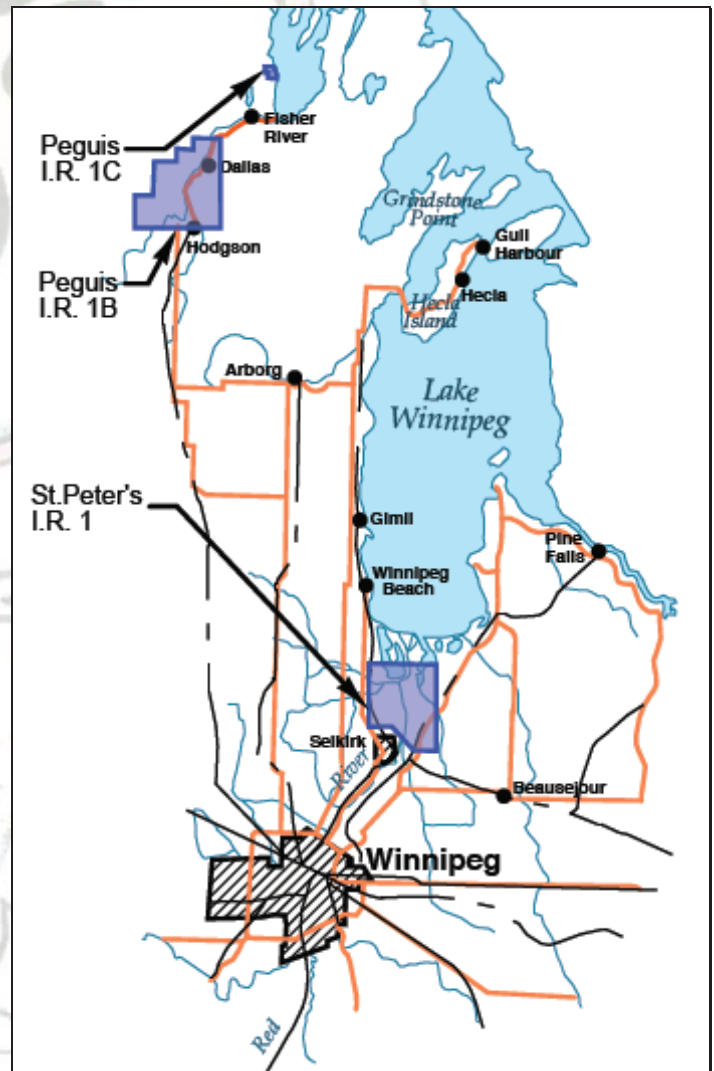
Background

On June 29, 1998, after 91 years of struggle by Peguis First Nation, Canada confirmed it agreed with Peguis that the 1907 surrender of the St. Peter's Reserve was void and legally invalid due to Canada's failure to comply with requirements of the Indian Act of 1906. Canada and Peguis entered into negotiations to compensate Peguis for its loss of land and economic loss as a result of this illegal surrender.

On June 13, 2009, Peguis members voted in favour of the proposed settlement claim and the agreement was ratified by the parties on October 4, 2010.

The total settlement amount was \$126,094,903.00. Upon payment of settlement costs and legal fees Canada deposited \$118,750,000.00 in to the Peguis First Nation Surrender Claim Trust.

The duties and responsibilities of the Trustees are contained in the Trust Agreement. Each year the Trustees are required to provide Chief and Council and upon request, any member of Peguis First Nation with financial statements for the Trust as well as a report on the administration of the Trust. The report describes the income and expenditures of the Trust, the activities of the Trustees and a report on the investments of the Trust.



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Financial Operations Report

Value of the Trust

The value of the Trust as at December 31st was \$108,866,350.

Investment Income Received for the Period

The investment income generated from Trust investments for the period was \$1,070,508.
(includes 2010 income of \$288,998)

Expenditures Incurred for the Period

Expenditures incurred for the reporting period of legal fees, investment consulting fees, Trustee expenses, related costs and other professional fees as follows:

Initial administration costs	\$237,845
Investment consulting fees	29,131
Accounting	22,943
Corporate trustee fees	16,222
Trustee expenses	21,346
Annual meeting costs	<u>11,961</u>
Total	\$339,448

Expenditures Beneficial to the Beneficiary

The following expenditures were considered and approved by the Community Fund Trustees:

<u>Recipient</u>	<u>Amount</u>	<u>Purpose</u>
Rath & Co. Solicitors & Barrister	\$200,000	Flood Litigation
Meyers Norris Penny - Canadian Shield	\$15,000	Strategic Planning
Peguis Senior Centre	\$5,000	Christmas Celebration
Comprehensive Community Plan	\$90,000	Community Development
Randy Sutherland	<u>\$500</u>	Logo Contest
Total	<u>\$310,500</u>	

(The figures as presented are unaudited at this point)

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Per capita Distributions

An amount of \$10,500,000 was approved by the Initial Trustees (Chief & Council) to fund per capita payments. To date over 90% has been paid out to eligible Peguis Band beneficiaries.

The Trustees have retained Rath & Company Barristers and Solicitors to review the Per-Capita process. A full audit is being completed to satisfy the Trustees as to the Per Capita process to date. During the interim, the Per Capita payout process will continue. The following letter is a report of current actions we are undertaking.

RATH & COMPANY

Barristers & Solicitors

ESTABLISHED 1995

May 22nd, 2012

Our file: 99200-017

VIA EMAIL TO peguis@hotmail.com

Peguis Illegal Land Surrender Claim Trust
Box 10
Peguis, Manitoba
R0C 3J0

Attention: Board of Trustees and Chief and Council

Dear Board of Trustees and Chief and Council,

**RE: Reporting Letter
Peguis Surrender Trust Per Capita Distribution File**

This letter summarises the current position with regard to outstanding matters arising from the Surrender Trust per capita payout process and is further to the Reporting letters of December 2nd 2011, January 17th 2012 and February 9th, 2012.

As the Peguis membership is aware, there are a number of unresolved issues relating to the administration of the per capita Surrender Trust payout process by Leah Ballantyne Law Corporation.

The Trustees of the Peguis Surrender Trust have engaged legal counsel to prepare a legal report with regard to those issues. However, Leah Ballantyne Law Corporation has so far refused to turn over its entire files relating to the matter in order for this review to be concluded. Lawyers for the Trustees have therefore prepared court applications requiring Leah Ballantyne Law Corporation to turn over its complete files, along with the balance of funds in the amount of \$312,473.94 which the Trustees maintain are being improperly withheld. Court applications have also been prepared with regard to fees and disbursements billed by Leah Ballantyne Law Corporation.

Only upon the conclusion of these court applications will the Trustees be in a position to fully report to the membership with regard to these outstanding matters.

Yours very truly,
RATH & COMPANY

for:
Per: Jeffrey R.W. Rath
Barrister and Solicitor

Treaty, Aboriginal Rights, Environmental Law & Litigation

Box 44, Site 8, R.R 1
Priddis, Alberta T0L 1W0
Phone: (403) 931-4047
Fax: (403) 931-4048
Toll-Free Number: 1-866-231-7284

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Investment Activities of the Trust

In December of 2011 the Trustees heard proposals from a number of investment management firms. The Financial Trustees selected TD Waterhouse Private Investment Counsel, Beutel Goodman Investment Council and Mawer Investment Management Ltd. to manage the Trust property. As the managers did not commence investing the funds until after the year end an annual report of the Eligible Investments will be provided for the 2012 reporting period. For the period prior to the managers assuming the investment responsibilities the Trust Property earned a preferred rate of interest of 1.25%.

Other Trustee Activities

The Community Fund and Financial Trustees have been busy since their election.

We include the following activities to highlight accomplishments to date;

1. May 13, 2011: Financial and Community Fund Trustees elected.
2. May, 2011: Trustees attended the National Aboriginal Trust Officers Association training.
3. June, 2011: T.E. Wealth was engaged to support the Trustees with the investment advisory needs of the Trust. T.E. also conducted a two day Trustee Orientation workshop for Trustees to among other things, understand the requirements of the Trust and initiate the implementation and planning process ahead.
4. July/August 2011: Collaborative meetings held with Chief and Council as well as reviewing the results of the Comprehensive Community Planning (CCP) process in order to better understand and develop Community Priorities for future Funding needs.
5. August 2011: Request for Proposal developed and sent out as part of the Search and Selection process to identify a Corporate Trustee.
6. September 19th: Corporate Trustee interviews held and as a result, TD/Canada Trust has since been appointed by Chief and Council.
7. Oct 13-15, 2011: The Surrender Trustees held their first Community Meetings to update the membership on activities to date.
8. November 2011: Meyers Norris Penny (MNP) – Canadian Shield engaged to assist in the Strategic Planning Process.
9. November 2011: T.E. Wealth initiated the investment manager search.
10. December 2011: The investment manager interviews were held with Mawer Investment Management Ltd. and Beutel Goodman and Company Ltd. being hired to manage the Trust assets.

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Corporate Trustee

The Canada Trust Company (TD Waterhouse Private Trust) was appointed as a Financial Trustee by Chief and Council on October 31, 2011.

We are very honoured to be selected and look forward to contributing to the future success of the Trust and to the benefits it will provide to the Peguis First Nation.

It is apparent from our involvement to date that Peguis has elected a strong, dedicated slate of Community Fund and Financial Trustees that share the same passion towards the betterment of their community. In a very short period of time they have accomplished a great deal, the highlights of which include obtaining community approval for a new arena and housing project.

As one of the Financial Trustees, our role is to work with and to assist the other Trustees in implementing their responsibilities as set out in the Trust Agreement. Such responsibilities include ensuring that trust funds are properly applied or distributed, safeguard and protect the Trust Property, ensure the Trust Property is invested properly and in accordance with the provisions of the Trust and to ensure that all reporting requirements are met.

In addition, we act as the custodian of the Trust Property, which entails holding the Trust Property, collecting investment income, paying authorized expenses, maintaining accurate records, processing all financial transactions and providing regular reporting.

It is truly our pleasure to serve as a Trustee and to be part of this great story.

Respectfully submitted by Bill Willms – Corporate Trustee

Investment Advisor

T.E. Wealth, through its division T.E. Investment Counsel Inc., was retained in June 2011 to provide ongoing investment advisory assistance to the Trustees of the Peguis First Nation Surrender Trust.

Our firm provides independent and objective support to the Trustees relative to (but not limited to);

- Co-development of the Trust's investment strategies and ongoing maintenance of the Statement of Investment Policies and Guidelines
- Investment Manager performance monitoring, measurement and interpretation
- Communication and financial education support

There is a tremendous fiduciary responsibility in being a Trustee and we are extremely pleased to report that the Peguis Surrender Trustees bring a diverse scope of experience and expertise in finance, planning and general business knowledge which is often difficult to find. It is clear that the Peguis Trustees take their responsibility very seriously and display a passion for the good of the Trust and the Peguis Community as a whole.

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Balancing the short term needs of the Peguis Community with that of future generations is not an easy task. In this regard, we commend both the Financial and Community Fund Trustees in collaboration with Chief and Council for their due diligence and planning to ensure the long term success of the Surrender Trust.

Through an aggressive implementation schedule in the last six months of 2011, the Trustees dedication and personal time commitment was evident in their ability to obtain personal Trustee training; to develop and implement the Trust's Statement of Investment Policies & Guidelines; to develop annual budgets and timelines; to implement a Strategic Planning process; to complete the search and selection and engagement of the Trust's Investment Managers and finally, to negotiate a credit facility that would minimize the need to utilize Trust capital when meeting a number of the Community's significant yet more immediate priorities. As we head in to 2012, the Trust property is now being invested by the professional investment firms recently engaged and under the guidance of the Statement of Investment Policy & Guidelines.

In short, it remains our pleasure and honor to support the Peguis Surrender Trustees in their efforts and suggest that the Peguis membership, as beneficiaries of the Trust, can feel comfortable that the Trust is in good hands.

Jack Jamieson

Vice President, Aboriginal Services

T.E. Wealth

Professional Development

The Trustees are committed to educating themselves and to pursue opportunities that will help benefit the Trust. Trustee training and development is an important aspect of operating an efficient and effective Trust. The Peguis Surrender Claim Trustees have taken part in various educational workshop and trainings since being elected on May 11, 2011 and are dedicated and continue to further their educational capacity as Trustees.

May 16-18, 2011, seven Trustees participated in the Rogers Investment Consulting Conference in Winnipeg. Rodgers Investment Consulting provides consulting services and professional investment management to ensure the appropriate management of investment capital. This includes education and ongoing support to ensure appropriate and consistent governance of the capital management process which provides the information required to make wise decisions.

June 14, 2011, nine Trustees attended an orientation facilitated by Jack Jamieson, TE Wealth. T.E. Wealth provides wealth management and financial education services, and financial planning. On June 22, 2011, two Trustees attended a TE Wealth Conference

November 21-24, 2011, one Trustee attended the Comprehensive Community Planning training module - The curriculum focuses on learning how to learn, personal growth and healing, developing emotional competency, acquiring positive qualities and virtues (courage, integrity, humility and compassion), learning spiritual disciplines and techniques for self-development, and aligning personal capacity with life goals and professional objectives.

It is advantageous to the Trust and Trustees that professional development be ongoing.

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Accomplishments in 2012

Members approved new arena construction and sustainable housing plan.

In order to preserve the Trust Property, the Financial Trustees secured a \$15,000,000 line of credit with the TD bank. The line of credit will be utilized to fund the arena and housing projects as well as other yet undetermined projects.

Honorarium

As stated in Section 14.1 of the Trust Agreement the Trustees are entitled to fair and reasonable compensation as follows:

14.1 Trustees' Compensation

(a) The Trustees' compensation in connection with the performance of their duties under this Agreement shall be determined by the members at any general meeting of Members duly called from time to time, having reasonable regard to the nature of the duties of the Trustees, the experience and qualifications of each Trustee, and the intentions of Peguis that:

(i) the Trustees, as voluntary applicants, may receive modest compensation as honoraria, in particular for any income loss in relation to services provided as Trustees; and

in each case the Members may also take into consideration in their determination of reasonable compensation, the diversity and extent of the Trust Property under administration, the effort expended, and the care and skill demonstrated by the Trustees in discharging their respective responsibilities.

The Trustees have a significant responsibility in overseeing the Trust and have to ensure that the funds are protected and utilized to their maximum potential. The Trustees objectives are to ensure that the Trust is based on a strong foundation that will last as long as our Nation does and to safeguard and protect the Trust property.

In the past year since the Trustees were elected they have continued to deal with the per-capita review and payout, conducted strategic planning sessions, met with Chief and Council to consider funding directions, met with the arena and housing committees for consideration and understanding of their proposals, conducted the Corporate Trustee search, interviewed and selected Investment Managers and planned for information meetings and general meetings. They have also secured a \$15 million dollar loan that is being used to finance the new arena construction and the sustainable housing plan.

The Trustees are doing their duties to move our Nation forward and look to our people to approve an honorarium that is fair and reasonable.

.. RANDY SUTHERLAND

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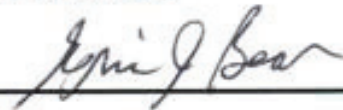
Trustee resignations 2012

With deep regret the Trustees have accepted the resignations of Clarence Daniels as a Financial Trustee and Ralph Sutherland as a Community Fund Trustee. Both were instrumental in getting the Trust functioning quickly. With their leadership and experience we have greatly benefited in making sure the Trust operated for our people to its greatest potential. We are thankful for their contributions and Peguis is better because of it.

Miigwech for your service to Peguis.

WE CERTIFY THAT, to the best of our information, knowledge and belief that the information contained on the preceding and following pages is true and that all expenditures and investment of the Trust Property were properly documented and authorized in compliance with the Trust Agreement.

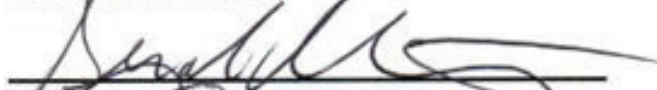
Financial Trustees



Eric J. Bear



Elva McCorrister



Gerald McCorrister



Errol Wilson



Bill Willms, Corporate Trustee

Community Fund Trustees



Katina Cochrane



Robert Delorme



Lloyd Sinclair

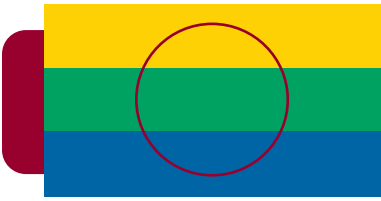


Harold J. Sutherland


.. RANDY SUTHERLAND

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