



# ***Frequently Asked Questions*** **on the Peguis First Nation** **Treaty Entitlement Agreement** **& Trust Agreement**

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The following Questions, in various forms, have been asked by the Members of Peguis in attendance at community information meetings held to review the nature and scope of the proposed Treaty land entitlement (TLE) settlement now under discussion. The Questions and Answers given are summarized here, as a means of providing all Members with as much information about the proposed TLE settlement as possible and to assist all Members in deciding whether to vote to accept the proposed TLE settlement.

## **SETTLEMENT VOTE:**

### **1. What does it mean that the Peguis TLE negotiations were “grandfathered”?**

Peguis was one of the 3 TLE claims in the final stages of review by Canada at the time of the conclusion of the 1997 Manitoba Framework Agreement (MFA) on TLE with 19 other First Nations. Since acceptance of the Peguis TLE claim occurred a year after the MFA, it was agreed that the MFA formula could be used to guide the negotiation of the Peguis TLE settlement, resulting in 166,794 acres of additional Reserve land for Peguis. Otherwise, the policy of Canada was that TLE should be determined at the Date of First Survey (DOFS) or amount to 9,637 acres only.

“Grandfathering” simply means that the Peguis TLE negotiations would largely be conducted in a manner and resolved in general accordance with the 1997 MFA – a positive approach for Peguis.

### **2. How much additional land is Peguis entitled to under Treaty 1?**

Until the *Venne* (Lac La Ronge Band, a Treaty 6 FN) case in Saskatchewan was decided in 2001, the Treaty obligations of Canada were uncertain in relation to TLE, at least for numbered Treaties in the Prairies such as Treaty 1. This case affirmed that, unless the language of the Treaty

expressly provided otherwise, the date of calculation of TLE is the Date of First Survey (DOFS) of Reserve land under Treaty.

The decision represents current law applicable to Treaty 1. If the Peguis TLE settlement is not approved by our Members, it is likely that Canada will, in future TLE negotiations state that its legal obligation is to provide TLE based upon our DOFS population, not the amount based on a formula using the Peguis current population. As a result, if the current Peguis TLE is not approved, the present TLE "deal" would very likely be in serious jeopardy, if not dead. A majority NO vote, a vote against the TLE settlement means no deal, no settlement. It is incorrect to assume that Canada would agree to enter into new negotiations if the settlement is not accepted – Canada would have spent 9 years in negotiations already without success. In addition, even **IF** Canada agreed to enter into *new* negotiations with Peguis on TLE, Canada's land offer would be 9,637 acres calculated based on the DOFS for Peguis. On the other hand, under the proposed settlement Peguis has negotiated an additional 166,794 acres of Reserve.

See the chart on page 3 which illustrates the outcome of the Peguis TLE negotiations.

**3. What vote is needed from the Members of Peguis to accept the recommended TLE settlement?**

Although the majority of the Members on the List of Eligible Voters (everyone 18 years of age and older on the Peguis Membership List) had to cast a vote for a valid vote last August, the majority of Members do not have to cast a vote for the second vote being held on September 7<sup>th</sup>. For a valid second vote, the decision of Peguis is made by a simple majority vote. That is, if the majority of Members voting vote "YES" in favour of the settlement, the settlement is accepted. If so, the TLE settlement agreement will be accepted by the First Nation and Council will be authorized and directed to sign the TLE settlement agreement and Trust Agreement.

**4. What happens if the majority of Peguis Members voting vote "No" against the proposed TLE settlement?**

If the majority of Peguis Members who cast votes on or before September 7<sup>th</sup> vote "NO" on the ballot question the proposed settlement agreement is rejected.

No further vote on the proposed TLE settlement recommended to the Members for acceptance by Council may be called by Peguis or the Minister.

**5. Why are there advance polls after the last three Information Sessions?**

Many Members want to vote as soon as possible, or when the polls are in their community. Some Members living off Reserve do not want to use the mail-in ballot sent to them. For whatever reason, experience in claim settlements has shown that Members want to have the option of voting after the community information sessions. Members do not need to vote at these sessions, it is their choice to vote at the advance poll if they want.

Members living off Reserve must complete and send in their mail-in ballot to vote, vote at any advance poll or on the official voting day at Peguis on September 7, 2007.

## **Voting Procedures:**

**Third Party Supervision:** Upon calling the second vote, the Minister of Indian Affairs appointed an independent contractor, Mr. Bob Norton (a former Inspector with the RCMP), to oversee the community vote on TLE. Mr. Norton also conducted the August 2006 vote on behalf of Indian Affairs.

**Voting Process:** Members voting in person may vote at any Advance Poll or on the Voting Day (September 7<sup>th</sup> at Peguis IR 1B). Voting is conducted by the Indian Affairs team and individual Members entitled to vote must do so by secret ballot in a private voting booth.

**Privacy of Voting:** The independent third party supervisor of the TLE will ensure the privacy of voters in the voting process whether voting is in person at a poll or by mail in ballot.

## **TERMS OF TLE SETTLEMENT:**

### **6. Has or will the Chief or any Councillor receive any fee or payment of any kind from the TLE settlement?**

No. No member of Chief and Council has received nor will receive any form of payment from the TLE settlement.

### **7. Why don't I receive a cash payment from the TLE settlement?**

The settlement does not deal with any individual claims of Peguis members at all. It deals only with the right of Peguis First Nation as a First Nation signatory to Treaty 1 to receive land under Treaty 1 – in this case up to 166,794 acres of additional land for Reserve, 2/3<sup>rd</sup> of which Peguis has chosen to buy from land in Manitoba. All of the cash compensation payable to the Peguis Trust after settlement is to be used to buy land (\$51.4 million) and implement the settlement, except for the \$5 million in Community Purpose funding which is to be used for general community purposes.

### **8. Why does Peguis repay "negotiation loans" to Canada?**

Canada recognizes that First Nations cannot afford to negotiate complicated land claim settlements which take many years to negotiate. After a claim is accepted for negotiation, Canada provides the First Nation with funding to pay its own lawyers, technical advisors, research specialists, study costs, required meeting/travel costs and for related administration.

The TLE and Surrender claim were negotiated at the same time. Peguis agreed with Canada that \$1,777,785.00 was spent on TLE negotiating costs of the loans provided. Canada *added* this amount to the overall settlement amount and will be "repaid" the full agreed amount of TLE negotiating costs/loans upon settlement. No cheque is actually provided to Peguis, this is a "paper transaction", the cancellation of the Promissory Notes signed by Peguis.

## **9. Who decides whether the land we buy will be Reserve or private land?**

Peguis makes that decision. If the land is to be set apart as Reserve, the Council must send a Resolution to Indian Affairs requesting that it be set apart as Reserve. Whether Council will request that the land be set apart as Reserve under the settlement agreement may depend on its intended use and required financing.

## **10. Why do we have to buy "our" land?**

Peguis has the Treaty right to select unoccupied Crown land in its Treaty area for Reserve. During the negotiations, Peguis argued that most of the good quality Crown land around Peguis IR 1B and the remaining Reserves at St. Peters was sold, owned by private owners and therefore, it could not select all of its TLE from Crown land.

Peguis negotiated the right to purchase about 2/3 of its TLE (111,756 acres initially) from willing sellers of private land. This is a major opportunity for Peguis. It can buy private land of any size in any location in Manitoba for whatever purposes it chooses (e.g. residential, commercial, agricultural, cultural, etc.)

Canada agreed to provide Peguis with land purchase funding of \$51,400,000.00 plus funding to buy the land and ensure Reserve creation over the next 25 years.

## **11. Has Peguis selected any TLE land yet?**

It is the policy of Manitoba to give notice of available Crown land being considered for sale or other disposition with a 25 miles radius of any First Nation owed TLE. Peguis has "expressed an interest" in several parcels of land identified by Manitoba around the former St. Peters Reserve (small parcels, amounting to only a few hundred acres of land). In addition, Members identified land of interest around High Rock Lake and north of Peguis IR 1C which Manitoba has "on hold" for possible selection by Peguis after settlement. (See Newsletter #6 of August 2004).

The only formal selection of land for Reserve is actually land which originally formed part of the St. Peters Reserve. See the maps in Newsletters #4 of July 2003, #5 of March 2004 and #8 of May 2006). Subject to the requirements of the settlement agreement, all of that land may become Reserve for Peguis in the near future.

**12. Peguis will be implementing its TLE settlement for the next several decades as the land purchase period is up to 25 years. What is the First Nations plan for implementation?**

Over the first year or two, Peguis will have to hire and train staff in land purchase, Reserve creation and monitoring, complete a planning/land selection study to determine the land needs/preferences of the membership and establish operational committees to deal with Crown land selection and land purchases to assist Council and the staff.

During this period, investment income will accumulate on the settlement funds held in Trust that will be used for First Nation administration costs and initial land purchase/costs. We hope to avoid use of the Trust capital as much as possible, instead relying on the investment income to fund implementation costs.

**13. What about the land needs for our future growth in population? Does the Release mean we cannot claim land for them?**

The Treaty Commissioners orally assured Treaty 1 First Nations land would be provided for future generations, the exchange being set out in the exceptions to the Release. However, Peguis will have to establish that its alleged right to additional land for growth in its population is an existing Treaty right as Canada disagrees with the legal validity of this right at this point in time. Regardless, to legally preserve the right of Peguis to assert this claim, the Release is expressly limited by Subparagraph 23.02(a) (ii) of the TLE settlement agreement which says the Release does not extend to "*additional land based upon a growth of population of Peguis*". At some future date, Treaty 1 First Nations may have to sue Canada in court to determine the legal validity of this alleged right under Treaty 1.

**14. Can we buy land in urban areas for Reserves? If so, does Peguis pay for services to the land?**

Peguis can buy land for Reserve anywhere in Manitoba, including municipal and urban areas. In urban areas, most land will require some municipal services, such as water, sewer, and fire or police protection. Where services are required, Peguis will negotiate contracts for needed services as the Reserve would not be subject to real property taxation by the municipality.

Service costs may be paid from income generated, lease of the land or Indian Affairs contributions depending on the land use. Peguis may apply for program and operational funding like all other First Nations despite its settlement per Section 34.01 of the Agreement.

**15. How will we decide on what land to select for Reserve?**

Peguis itself must determine what type of land it needs for residential, economic development, agriculture, recreation, cultural purposes and where those needs may be met. Peguis has received and will receive funding to complete a Land Selection Study under the settlement. The Study to be done after settlement will involve Members in this type of future planning.

**16. How do I personally benefit from the TLE settlement?**

Firstly, and most importantly, you benefit as a member of Peguis as a First Nation. Peguis has been owed more land for Reserve under Treaty 1 for more than a century. Only by voting can you ensure that Peguis finally

resolves its long outstanding claim to additional Reserve land under Treaty. Each of us owe that duty to our First Nation – to protect and secure our Treaty rights, to consider the settlement and vote. Council strongly believes we must act now to settle this historic claim.

This settlement will also provide immediate benefits for our First Nation. We will be able to select good Crown land and buy private land to meet the immediate and future needs of our large population. We are the largest First Nation in Manitoba and growing rapidly. Whether we get land for housing, agriculture, ranching, cultural purposes, recreation or other uses, Peguis now gets to make those decisions, for itself, for its future.

Finally, although TLE is about getting the Treaty land due to us, we also have a \$5 million Community Fund that we expect to use for focused, modest projects and needs for both on and off reserve Members. Individual members will benefit from such projects, for example, modest education assistance, languages training or housing support.

**17. Will the TLE settlement affect any Treaty and Aboriginal Rights, other than our TLE?**

No. The settlement Release only deals with the written term of Treaty 1 that provides for an amount of Reserve land (Treaty Land Entitlement). Also note that under the Treaty Entitlement Agreement, Section 35.11 - **No Effect on Existing Aboriginal and Treaty Rights**, it is confirmed that the TLE Agreement is not intended to abrogate or derogate from any other existing aboriginal or Treaty right of Peguis or any Member.

**TRUST AGREEMENT:**

**18. Can the Settlement funds held in the Peguis Trust be used for deficit/debt reduction?**

No. Under the Trust Agreement, Section 8.2 Specific Guidelines for Application of Trust Property, subsection (e) states that *"no Trust Property shall be applied or distributed by the Trustees or, if received by the Beneficiary, used by the Beneficiary, directly or indirectly, to pay the debt or operational deficit of Peguis or to make any per capita distribution to the Members of Peguis."*

**19. What is the plan for use of the Community Fund?**

The general plan is to use the income from the Fund for Community Purposes. The Trust provides that at least \$2.5 million of the \$5 million initially deposited into the Fund must be kept in the Trust account at all times. The purposes for which the Fund may be used are set out in



Article 8.2(b) (education, culture, recreation, business, Treaty rights protection, etc.).

## **20. What is the authority of the Community Fund Trustees?**

The five Community Fund Trustees to be elected by the Peguis membership are responsible for identifying community projects to be funded from the investment income from the \$5,000,000.00 held in the Peguis Trust. This modest income will vary year to year based on investment returns.

The Community Fund Trustees are independent of Council, accountable to the Peguis membership. They have the authority to develop and approve projects up to \$50,000.00. They may only recommend (not approve) projects costing more than \$50,000.00 and up to \$150,000.00 to Council for approval. Projects over \$150,000.00 must be approved by the Members. These levels of authority were determined by Council.

## **21. What is the CIBC Wood Gundy role in the Peguis Trust?**

Actually, CIBC Wood Gundy has no role in relation to the ongoing administration of the Trust. As part of the settlement agreement, Canada requires a Certificate from an Independent Financial Advisor to the effect that the Initial Trustees have received advice concerning the investment and management of the Trust funds. The reason for this is that Canada has no legal responsibility for the management of the Trust or funds once the settlement is paid to the Peguis Trust.

## **22. Why aren't the Members voting to elect the Trustees before or at the same time as the TLE settlement?**

Council considered the implications of delays associated with formal changes to the Trust Agreement. Rather than doing so at further cost in time and dollars to Peguis, Council resolved to take steps to ensure openness and accountability of the Trust management process – the real, underlying cause for concerns expressed by our Members during the last voting process.

Council has and will take steps to address the concerns voiced by the Members at information meetings prior to the first vote in August 2006. Council has opened up the Trustee Nominating process for community input and participation. Members are being asked to step forward to stand for appointment to the Trustee Nominating Committee and the proposed list of appointees to this important Committee will be publicly announced by Council. Further, once the Peguis Trust is established and the settlement funds are under professional administration, Council, as the

Initial Trustees, will not authorize the use of Trust funds except in accordance with the terms of the Trust for essential administration pending the election of the formal Trustees by our membership.

The TLE settlement is a solid, comprehensive settlement, a historic opportunity to settle a long-standing right for more Treaty land. Council will ensure the completion of the Trustee election process in an open manner, including the determining of qualification criteria, getting applications from qualified Members, determining the best candidates for nominations and the completion of open, fair election of the Trustees of the Peguis Trust.

The election of replacement Trustees must occur "as soon as reasonably possible" after acceptance of the TLE settlement and establishment of the Trust.

**23. Are there conflict of interest guidelines for the Trustees? Do they apply to Council as the Initial Trustees?**

The answer to both questions is YES. See Section 17.05 of the TLE settlement agreement that pertains to the Council and Article 13 of the Trust Agreement which pertains to the Trustees (including the Initial Trustees). Any interest in a Trust matter must be disclosed, after which it must be determined whether the interest is "material" If the Trustee has a material interest, the Trustee may not participate in the decision in the matter or even be present at the meeting when the decision is made, although the Trustees may require attendance to answer appropriate questions related to their decision. Failure to disclose any interest found to be material to the decision will attract severe penalties, including termination as a Trustee.

**24. Please explain the Trust termination provisions, Article 16 of the Trust agreement?**

The Peguis Trust is intended to be of virtually permanent, or more accurately, indefinite duration to provide for settlement implementation, land purchase and Reserve creation over the next 25 years or more. On the other hand, the Community Fund should be able to exist "forever", there being a legal restriction on the expenditure of more than half of this Fund. Regardless, under Trust law, there must be a means of termination of the Trust. To ensure the Peguis Trust is available to meet the above objectives, the "standard" for termination of the Trust by the Peguis membership was set very high – the Trust may not be terminated unless and until the standard is reached and the procedure set out met.

The Trust may be terminated ONLY after Peguis has obtained 90% of its TLE as Reserve (150,115 of 166,794 acres) AND if 90% of the Peguis Members vote to terminate, of which 75% must vote in favour of termination. If these standards are met, Peguis must then call another vote to determine how the funds are to be applied. In this second vote, 90% of the Peguis Members must vote and 75% must be in favour of the distribution.

## **TRUSTEES:**

### **25. Why are the members of Council the first or "Initial Trustees" for the Peguis Trust?**

Section 9.4 Term of Initial Trustee of the Trust Agreement provides that the Initial Trustees (who will be our Chief and Council) shall only hold office as Initial Trustees until replacement Trustees are elected, the election to take place as soon as is reasonably possible.

As the Members requested, 5 of the 7 Financial Trustees and all 5 of the Community Fund Trustees are to be elected by and from among the Members. Interested Members must have the qualifications approved by the Members and be nominated by the Trustee Nominating Committee, itself comprised of Peguis Members.

As explained in Question 22, this election process will now be opened up to provide for the full involvement of our community Members in all aspects of the process. Since the nomination and election process will take several months, an interim group of Trustees was required to accept and deposit the settlement funds into the Peguis Trust account for investment.

### **26. Will the Chief or any Councillor receive any fee or payment of any kind from the Trust funds personally or for acting as Initial Trustees?**

No. Except for proper travel expenses (if any) paid as Initial Trustees to attend Trustee meetings and any Trustee compensation approved by the Members for acting as Initial Trustees, no member of Chief and Council is entitled to any form of payment from the Peguis Trust funds. In addition, the financial authority of the Initial Trustees is limited by Subparagraph 8.3(a) (xi) of the Trust agreement and other terms so that the Initial Trustees can only disburse funds for limited purposes. As noted in Question 22, Council will defer any requests to the Trust for land purchase/costs pending the election of Trustees by the Peguis

membership. Also, many terms of the Trust agreement deal with conflict of interest issues so that no member of Chief and Council may receive any benefit from the Trust different from any other Member of Peguis. See above Questions 6, 7 and 16.

**27. Are the members of Council personally liable for any breach of the Trust agreement while they are acting as Initial Trustees?**

Yes. A Trustee must act properly in the best interest of the Trust beneficiary at all times. A Trustee is held to the highest standard of conduct, of utmost good faith known in law, a standard which is enforced by the Courts. If a Trustee does not act honestly, in good faith and exercise the standard of care which may be expected of a prudent Trustee, a Trustee will be in breach of his or her legal duty and obligations under the Trust agreement. In that case, the Trustee can incur criminal as well as civil liability for a breach of trust. Personal liability is joint and several for Trustees.

**28. Are the Initial Trustees legally accountable to the Members of Peguis?**

Yes. Peguis is the sole beneficiary of the Trust. The Members constitute and direct the First Nation and elect the Council. While the Council is responsible for the administration of the internal affairs of Peguis, the members of Council acting as the Initial Trustees have a personal as well as collective obligation to account for their actions to the Members

**29. What is the role of the Initial Trustees?**

The primary role of the Initial Trustees is to accept the payment of the Settlement amount from Canada into the Peguis Trust account and select the professional investment manager to handle the Trust funds.

Under the Trust Agreement, Section 8.3 - Provisions Governing the Application of the Trust Property, subsection (a) (vi) states *"Notwithstanding anything to the contrary in this Agreement, the Initial Trustees shall not at any time during the period they hold office pay or apply any of the Trust Property to or for the benefit of the Beneficiary in accordance with a Funding Direction unless such Funding Direction relates only to Expenditures Beneficial to the Beneficiary for Implementation Purposes under Paragraph 8.2(a)."*

What this means is that the financial authority of the Initial Trustees is limited to implementation of the Agreement, specifically TLE related land purchase, related costs and administration. The Initial Trustees may not use any Trust money for Community Purposes or any other reason. Since

land purchases do not proceed without the approval of Council, purchases will be deferred pending the election of Trustees by our Membership. In this manner, as expressly preferred by our Members, Council may itself ensure that settlement funds are not requested from the Peguis Trust until the Trustee elections are completed.

### **30. What qualifications must a Trustee have to be elected?**

Under the Trust Agreement, the Trustee Nominating Committee (made up of seven Members, three of which must live off Reserve) must draft qualification criteria for the consideration and approval of the Members of Peguis. Qualifications will likely include a certain minimum education and experience for each type of Trustee. There are 2 types of Trustees – one dealing with community projects and the other dealing with the financial management of the Trust funds – with very different demands.

Note the proposed criteria must be suitable and reasonable, set out in writing, posted at the Band offices, given to any Member upon request and approved by the Members before applications are requested from the Peguis Membership. See Section 9.5 of the Trust agreement.

### **31. How can we be assured that the Trustee Nominating Committee (TNC) will nominate the best qualified Members for election as Trustees?**

The Trust agreement states that the TNC must recommend for election those Members who are “most qualified” for nomination from among the applications received. In addition the TNC must provide written summary reasons for each nomination and the qualifications of each nominee. This open accountability sets high standards for the review process. Any shortcoming would be reviewable by the Peguis Membership. The most important issue is that well qualified Members of Peguis interested in the TLE settlement should be encouraged to apply for election as Trustees.

### **32. Why are there 2 Financial Trustees appointed by Council?**

Two of the seven Financial Trustees are considered independent Trustees. Although they may be Peguis Members, they must each be a professional governed by a professional body, such as a lawyer, chartered accountant, engineer, etc. In doing so, the professional should have strong, extensive experience and skill in administration and contribute significantly to the ongoing organization of the Trust, integrity of decision making and general accountability of the Trust to Peguis and its Members.

Independent professionals are subject to high standards of ethics and conduct set by their profession. Failure to adhere to those standards of

conduct and accountability will attract personal and professional sanctions. Therefore, Peguis benefits greatly from the participation of independent professionals in the role of Trustees for Peguis. One of the independent Trustees may be an official of a professional Trust company if preferred as well.

### **33. Why are the off Reserve Members of Peguis not equally represented as Trustees?**

Peguis is one First Nation comprised of all of its Members wherever we live. The primary purpose of the TLE settlement and Trust is to ensure that Peguis secures the additional land due to it under Treaty.

The Trust agreement formally provides for a certain representation from both on and off Reserve residents in the management of Peguis internal affairs for the first time in its history. Three of the 7 Trustee Nominating Committee members, at least 1 and up to 3 of the 7 Financial Trustees and at least 1 and up to 2 of the 5 Community Fund Trustees must live off Reserve. This is an unprecedented level of formal involvement of off Reserve Members in Peguis affairs which should be acknowledged.

Finally, although the advance tax ruling is based on the *Income Tax Act*, both Sections 87, 89 and 90 of the *Indian Act* have potential application. If so, the Trust must be legally resident on Reserve. Residency of a Trust is determined by the residency of the Trustees. Therefore, the majority of the Trustees must be resident on Reserve to claim the tax and legal process exemptions found in the Indian Act.

### **34. How are the Trustees accountable to Peguis and its Members?**

The Trust agreement provides for accountability of decision making and reporting:

- a. the Trustees are each legally liable if they fail to act honestly, in good faith with a view to the best interests of Peguis at all times and must exercise the care, diligence and skill of an ordinary, prudent person in managing the Trust (Section 10.1(c);
- b. the Members may require the Trustees to be bonded (Section 10.3);
- c. the Trustees must maintain written record of all decisions and make them available to Council AND to Members upon written request (Section 11.1);
- d. the Financial Trustees must maintain adequate records of all transactions affecting the Trust property (Subsection 11.2(a));
- e. the Financial Trustees must complete an annual audit per Generally Accepted Accounting Principles each year and provide a copy to Council and to any Member upon request without charge (Subsections 11.2(iii) and (iv));
- f. the Financial Trustees must take corrective action if the audit is not unqualified (Section 11.2(b));
- g. the audit must include a written report in enough detail to allow Members to see that expenditures are those approved under the Trust agreement (e.g. for education, etc.)
- h. a similar separate written report must review the Trust investments (Section 11.2(d));
- i. the Council must call an annual meeting for the Trustees to present the above audits/reports to the Members (Sections 11.2(e) and (f));
- j. the Community Trustees must provide similar detailed written reports of their activities and expenditures for Community Purposes along with copies to Council and Members as requested (Subsection 11.3(a)); and

- k. the Community Trustees must call an annual meeting for the Trustees to present the above audits/reports to the Members (Sections 11.3(b)).

This is an extensive level of accountability enforceable by Peguis or its Members which will ensure full accountability of the Trust.

Council cannot unilaterally remove any Trustee under the terms of the Trust agreement. See the chart on page 19 which illustrates the control the Members of Peguis exercise over the Trustees qualifications, nomination and election:



## **ADVANCE INCOME TAX RULING:**

- 35. Can Peguis be assured that the advance tax ruling obtained confirming that income earned by the Trust will be exempt from taxation will be effective?**

An Advance Ruling is the most secure form of confirmation that the Trust income will be permanently tax exempt available in Canadian law, but for a Court judgment. The Ruling obtained is based on Section 149(1)(c) of the *Income Tax Act*. Under that Section, Canada has agreed that Peguis is "a public body performing the function of government in Canada" and therefore exempt from taxation. The Canada Revenue Agency (CRA) has agreed to be bound by its Rulings. Except in cases where there has been a material misstatement of the facts upon which the Ruling was based, the CRA has never reversed a Ruling issued.

See the chart on page 21 which illustrates the nature and operation of the Tax Ruling obtained by Peguis: