

Report from the Trustees of the Nisichawayasihk Trust

Tansi,

The Board of Trustees wishes to ensure NCN Members are aware of the Trust's investments for 2005 and up-to-date on the status of our 2006 CAP funding, as well as our future investment strategy.

Our aim is to ensure the Trust's investments earn enough revenue every year to meet our community's budget requirements for necessary programs and services, which is currently \$3.9 million annually.

To meet this ongoing objective, the Trustees have been working on a comprehensive evaluation of the Corporate Trustee and Trust Equity Managers. This report will be given top priority once the more urgent issues relating to the release of CAP funding for 2006 have been resolved. (Please see Cap Update on page 4.) The Trustees had hoped to issue the report to Members by the end of April, but it is unlikely to be ready before June.

On behalf of the Trustees, I want to assure you that we are actively addressing these issues to ensure our membership has confidence in our investment plan and that there will be funds available to meet our primary needs.

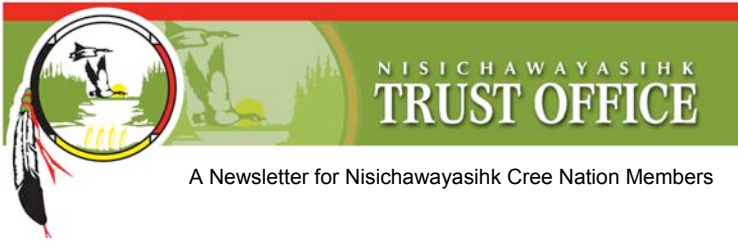
We will continue to keep you informed and will release the report on the investment review as soon as possible.

Thank you for your patience.

Ekosi



Chief Jerry Primrose
Chair of the Board of Trustees



Who are the Trustees of the Nisichawayasihk Trust and What are Their Roles?

The Trust has one Corporate Trustee and four NCN Trustees. The seat set aside for a member of the Development Corp.'s board is now vacant and under consideration by Chief and Council.

NCN (Nelson House) Trustees

- Chief Jerry Primrose (Chair)
- Alvin Yetman
- Edward Primrose

Corporate Trustee

- Gary Goodbrandson of Royal Trust Corporation
- ## **Investment Manager**
- Shawn Chambers of RBC Private Counsel Inc.

Duties

The general duty of an NCN Trustee is to act honestly, in good faith and in the best interests of the Trust. The Trustee must use reasonable care, diligence and skill and comply with the terms of the Trust Indenture and duties of the Trust, as per Article 6.8 of the Trust Indenture.

The Corporate Trustee is primarily responsible for making sound investment decisions on behalf of the Trust. The Corporate Trustee keeps financial records, prepares reports, gives advice to Chief and Council regarding investment and monies available for expenditure, and maintains legal ownership and possession of the Trust's Assets. The duties are fully outlined in Article 7.5 of the Trust Indenture.

Trustees' 2005 Financial Operations Report

Investment Activities of the Trust

From the beginning of 2005 there was uncertainty about what impact that the rise in the Canadian dollar would have on the Canadian economy and analysts were forecasting an increase in interest rates. From September to December, the Bank of Canada raised rates a total of three times. During this period the rates went from 2.75% to 3.25%. Long-term rates for the most part were flat throughout 2005 and only in the latter part of 2005 did we see longer-term rates begin to move up.

As in the previous year, when faced with an uncertain and volatile interest rate environment, we took a cautious approach with the investments. We were concerned that interest rates would rise. When interest rates rise, the value of bonds held in the Trust would decline in value. Any decline in the value of the bonds makes it difficult to maintain the "floor value" of the Trust and provide funds for community projects, programs and services. As a result, our goal was to minimize the negative impact of rising interest rates while generating an income that would be greater than investing solely in a short-term or cash strategy.

In 2005, we sold a number of bonds to lock in gains that would be lost if interest rates were to rise as expected. (Generally, the longer the term of the bond the greater the price will fluctuate during periods of rising interest rates. As a result it is very difficult for an investment manager to invest in long-term bonds that may pay higher interest rates than short-term bonds.)

The proceeds from the sale of the bonds were invested in short-term investments to maintain the necessary floor value of the Trust. We also felt that as interest rates rise, we could reinvest the proceeds in higher paying short-term investments.



Capital Payments Received by the Trust

The Trust earned net realized capital gains of \$34,553 during the course of the year through the sale of various investments.

Floor Value of the Trust

The Trust did not receive the income it expected for 2005 to support the CAP budget for 2006. As a result, the Trust was under the floor value (minimum value) of \$40 million, by \$48,361.00 at year-end. For 2006 the Trustees could not pay out income from the Trust until such time as this deficit had been covered. (Since all the income from the Trust is distributed each year, there is no “cushion” in the Trust (i.e. an amount above the \$40 million floor value) to offset any decline in the value of bonds.)

Revenue Received and Generated by the Trust in 2005

	Main Trust Account	Investment and Heritage Account	Claims Account	Recreation and Program Facilities Account
Total Revenue	\$1,220,050	\$255,207	\$211	\$43,230

Investments Held at December 31, 2005

	Main Trust Account	Investment and Heritage Account	Claims Account	Recreation and Program Facilities Account
Cash	\$2,125,604 Earning an average 30-Day Canada Treasury Bill Rate of 3.2%	\$330,084 Earning an average 30-Day Canada Treasury Bill Rate of 3.2%	\$1,889 Earning an average 30-Day Canada Treasury Bill Rate of 3.2%	\$57,955 Earning an average 30-Day Canada Treasury Bill Rate of 3.2%
Common Stock		\$5,412,365 Earning an average dividend rate of 1.6%		
Fixed Income Securities		\$3,464,135 Earning an average rate of 3.3%		\$1,177,275 Earning an average rate of 4.0%
Short-term Deposits	\$37,824,230 Earning an average interest rate of 3.5%	\$1,484,095 Earning an average interest rate of 3.4%		
Total Value of Investments	\$39,949,834	\$10,690,679	\$1,889	\$1,235,230

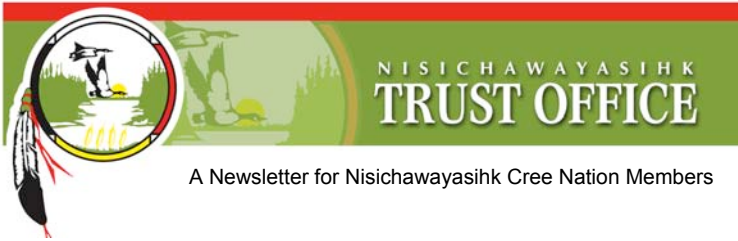
For Discussion: Possible Amendments to the Current Investment Provisions

Amendments to the current investment provisions are being discussed in order to improve the return on the Trust’s investment.

Among the options is to include investment grade bonds that may pay a higher interest rate than the bonds currently allowed under the terms of the Trust Agreement.

Another option is to base the floor value of the Trust on the maturity, or face value of the bonds, rather than on the lower of cost, or market. This would allow the investment manager to invest in longer term bonds that may pay a higher interest rate without fear of falling below the floor value, should interest rates rise as forecasted.

Also under discussion is an option to allow only the purchase of discounted bonds or bonds that trade at their face value. On maturity, the face value of the bonds will be deposited to the Trust thereby maintaining the \$40 million floor value.



2006 CAP Funding Update

The Nisichawayasihk Trust has been unable to release funds from the Investment and Heritage Account to meet CAP budget requirements for 2006 community programs and services.

Trust funding is short nearly \$2.7 million following the Nisichawayasihk Trust CAP meeting on February 15, which failed to gather support to release the necessary funds. This resulted in a General Band Meeting on March 7, where a revote was held.

While a motion to release the funds was passed by a majority of registered voting Members at the meeting of March 7, the result of the vote has been appealed and is now subject to arbitration.

Arbitrator to Determine if the Vote is Valid

A decision on whether to release funds from the Investment and Heritage Account will be determined by arbitrator Mr. Justice Murray Sinclair. May 23, 24 and 25 have been set aside for arbitration, though the process is expected to be completed within two days. Chief and Council have requested the arbitration hearing be held in Nelson House.

The action to oppose the release of CAP funds was brought by NCN Members Leonard Linklater, Donald Hart and David Kobliski.

At issue is whether the notice of a General Band Meeting on March 7 failed to state the purpose of the meeting and whether the Chief and Council had the right to hold a vote, given that on three previous occasions, the same vote didn't receive the required two-thirds majority of voters at the meetings, and whether the outcome of the vote of March 7 is valid.

March 7 Vote Result

Elders attending the General Band Meeting called on Chief and Council to have a traditional vote on the release of CAP funding, which requires a show of hands. The vote resulted in • 134 in favour • 12 not in favour • 2 abstained.

February 15 Vote Result

Only 227 registered voting Members attended the meeting of February 15. While 61 percent, or 138, voted in favour of the plan to release the funds, there were 87 votes against and two spoiled ballots. This resulted in less than the necessary two-thirds of the Members present required to pass a motion allowing the Corporate Trustee to release funds from the Investment and Heritage account. The motion needed just 14 more votes to pass. Appeals against the outcome of this vote were made, resulting in the General Band Meeting on March 7.

January 10 and 24 Vote Results

The transfer of funds from the Investment and Heritage Account was first raised at a CAP meeting held on January 10. When the vote was taken it is believed well over two-thirds of the Members present voted to approve the transfer from the Investment and Heritage account. However, because Members were entering and leaving the room as the meeting was going on, it was not certain exactly how many Members were present at the moment the vote was taken. So, after consulting with lawyers, Chief and Council and the Trust Office arranged for a second CAP meeting to be held on January 24.

Proper notice was given for this second meeting. A vote was held and carried by two-thirds of Members present, but yet again, Members kept entering and leaving the meeting room and it could not be absolutely certain how many Members were present during the vote.

Legal counsel advised that a third meeting be held, with procedures put in place to be 100 percent certain of the number of Members in the room at the moment of the vote. A third vote took place on February 15, but failed to gain the two-third majority of registered voters necessary to carry the motion, as detailed above.



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