Schedule “B”

NUNASI TRUST

HISTORICAL SUMMARY

Background

1. The Nunasi Trust (the “**Trust**”) was originally established in 1976.

2. Until 2020, the only assets of the Trust have been the shares of Nunasi Corporation (“**Nunasi**”) and promissory notes issued by Nunasi.

3. Because of changes to the *Income Tax Act* (the "***Tax Act***"), the Trustees decided that the shares of Nunasi should be sold or distributed to the three (3) Regional Inuit Associations of Nunavut (“**RIAs**”).

4. Because of changes to the *Tax Act* relating to burdensome reporting requirements for Trustees, the Trustees decided that the Trust ought to be wound up.

5. The Trustees sold certain Nunasi shares back to Nunasi and distributed the balance of the Nunasi shares to the RIAs at the end of December, 2020.

6. The Trustees now hold a $3,502,311.94 promissory note from Nunasi. They wish to pass their accounts before taking steps to file the final T3 income tax return, obtain a clearance certificate from Canada Revenue Agency (“**CRA**”) and wind up the Trust. The term “pass the accounts” of the Trust means that the Trustees present to the Court and the beneficiaries an accounting of their administration of the Trust and its assets. The accounts include property received and property distributed.

Incorporation of the Inuit Development Corporation (later named Nunasi Corporation)

7. In 1976, Inuit Tapiriit Kanatami ("**ITK**") incorporated Inuit Development Corporation to advance development activities of the Inuit who resided in the Nunavut Settlement Area.

8. Inuit Development Corporation was a business corporation incorporated to develop business opportunities and focus on job creation within Inuit communities. It was the original name for Nunasi.

9. A single Nunasi share was issued to James Arvaluk, then-President of ITK, who held the single share on behalf of the Inuit to be identified in the Agreement Between Inuit of the Nunavut Settlement Area and Her Majesty the Queen in right of Canada (the "**Nunavut Agreement**"). No formal trust agreement was signed at that time.

Funding of Nunasi and its Operations

10. The Canadian Imperial Bank of Commerce ("**CIBC**") approved a $25 million line of credit secured by a guarantee based on the expected receipt of funds on the settlement of the Nunavut Agreement. Shortly after, the Inuit Development Corporation was renamed "Nunasi Corporation".

11. Nunasi used the CIBC loans to fund the acquisitions and operations of Nunasi and its subsidiaries.

Background to the Original Trust for the Nunasi Share

12. The terms of the Trust were not reduced to writing until September 20, 1985 (the "**Original Trust**") by an agreement made between representatives of Tunngavik Federation of Nunavut ("**Tunngavik**"), Nunasi, the Kitikmeot Region, the Kivalliq Region and the Qikiqtani Region. The Original Trust stated that the RIAs were to represent the "ultimate beneficiaries of the Trust".

13. A beneficiary can be a person or a purpose. It means someone or something for whose benefit property is held.

14. The Trust controlled Nunasi because it owned all the Nunasi shares. The Trust contained rules on the election of the directors. Nunasi, in turn, was the umbrella organization under which the Inuit in Nunavut participated in economic development opportunities on behalf of all Inuit in Nunavut.

15. The Original Trust anticipated that the share ownership of Nunasi would be held for the benefit of the three (3) RIAs of Nunavut, each of which was eventually recognized as a Designated Inuit Organization under the Nunavut Agreement.

16. Each of the RIAs is a non-share capital, non-profit society. Each has the same objects, which are to "protect, defend and promote the interests of the Inuit people of the [individual] Region".

17. The Original Trust stated that it ought to continue until the earliest of three events, one of which was when a Land Claims Agreement is settled when all eligible beneficiaries <u>*or the organizations which represent them*</u> would become shareholders of Nunasi.

18. The Nunavut Agreement was ratified, approved and adopted pursuant to the *Nunavut Land Claims Agreement Act* (the “NLCA Act”) Act on July 9, 1993. Therefore, according to the terms of the Original Trust, it ought to have been wound up on that date and the RIAs were to have become the shareholders of Nunasi.

Decisions in 1993 to Not Wind Up

19. Rather than winding up the Original Trust in 1993, the Trustees decided that the Original Trust would continue, but with various amendments.

20. The Nunasi Trust was amended and restated on September 15, 1993 (the "**1993 Trust**"), shortly after the NLCA Act was ratified by the Government of Canada on July 9, 1993.

21. The most significant changes made in the 1993 Trust are as follows:

    (a) There is a definition of "Beneficiaries" which means "those persons who are from time to time enrolled on the Inuit Enrolment List in accordance with Article 35 of the Land Claims Agreement";

    (b) The concept of a Protector is introduced; and

    (c) The Trust is to be governed by the laws of Manitoba.

22. The 1993 Trust added the concept of a “Protector”, which was to be each of the RIAs, Tunngavik and Nunasi. The role of each Protector was to nominate a person to serve on the Board of Directors of Nunasi.

Dividends and Distributions

23. Until 1999, no dividends were declared from Nunasi to the Trust. As the Trust received no income, no distributions were made from the Trust.

24. Until 1999, Nunasi used income generated from the businesses owned and operated by Nunasi firstly, to pay off the CIBC bank loan and then to acquire other assets and expand its business activity. This was to fulfill Nunasi’s mandate to identify and develop opportunities for Inuit to participate in Northern economic development. The profits from the Nunasi businesses were reinvested and/or used to create new business opportunities for the Inuit of Nunavut.

25. Starting in 1999, the directors of Nunasi declared dividends which were received by the Trustees and subsequently paid to the RIAs.

Growth and Current Status

26. The property of the Trust comprised only the shares of Nunasi. The value of the shares of Nunasi had risen substantially since the original share was acquired by the Trust in 1976.

27. The single share of Nunasi originally issued to the Trust had a value of about $88,000,000 as of January 1, 2013. The assets of Nunasi grew from a nominal amount funded by a bank loan in 1976 to a large group of companies having a significant value over a period of approximately 40 years.

28. For tax purposes, the Trustees transferred about 95% of the shares to the RIAs in 2014. About 5% of the shares continued to be owned by the Trust and the Trust retained voting control through common shares.

Considerations Leading to Wind Up of the Trust

29. *Costs and Expenses.* The Trust is a taxable entity and the Trust requires ongoing legal and accounting advice. Every dollar of Trust expenses requires that two dollars be paid by Nunasi to enable the Trust to pay income tax and pay the Trust's expenses.

30. *After-Tax Benefits to Nunasi Corporation.* If the Trust were wound up or if it no longer owned shares in Nunasi, Nunasi could be reorganized to claim tax exempt status for itself and for any of its subsidiaries for which the activities are carried on within the boundaries of Nunavut.

31. *New Income Tax Legislation.* There are new trust reporting rules that will apply for taxations years that end after December 31, 2021. The new reporting requirements include additional disclosure including the name, address, date of birth and Social Insurance number of trustees, beneficiaries and others. This reporting obligation will be an enormous project and the annual cost of compliance will be considerable.

Process of Wind Up

32. *Governing Law Changed to Nunavut.* The Trustees amended the Trust on October 22, 2019 to change the governing law from Manitoba to Nunavut. As the Trust is going to be wound up, there is no need for it to have a perpetual existence by being governed by laws of Manitoba. As well, on a passing of the accounts of the Trust, the Trustees considered that the Courts of Nunavut would be better equipped to understand Inuit culture, structure, Nunavut representative institutions and methods by which service can be effected and the trust accounts passed.

33. *Beneficiaries and Distributions on Windup.* The Trust stated that on the distribution of the trust property, the Trustees are required to hold property in

trust for minors or those under a disability. This duty of acting as Trustee for every individual who is a minor or under a disability is not practical and would lead to extra expenses. While the Trust provides that during its existence, the beneficiaries are effectively the RIAs, it provides now (and has since 1993), that on a dissolution, the trust property is to be divided among all the individual beneficiaries who are enrolled in the Inuit Enrollment List. This would be impractical and expensive.

34. To avoid these issues, the Trustees amended the Trust on October 22, 2019 (the "**2019 Trust**") so that, on dissolution of the Trust, the Trustees could pay the amounts owed to all Beneficiaries to the RIA representing such individual Beneficiaries. As the RIAs exist for the benefit of all Inuit within the region, this would be a more practical method of distributing the trust property. This is also consistent with the Original Trust, which provided that the Trust Fund be transferred to organizations representing the beneficiaries. These changes were made under the amending power in the Trust and did not require the consent of anyone other than the Trustees.

Sale and Distribution of Nunasi Shares

35. The Trustees decided that the retention of the Nunasi shares by the Trust was not in the best interests of the beneficiaries.

36. The Trustees decided that certain shares of Nunasi would be purchased by Nunasi to provide funding for the Trust. The remaining shares were distributed to the RIAs before the end of December 2020. Currently, all the Nunasi shares are owned by the RIAs and/or their Economic Development Corporations.

37. To maintain the voting rights that existed prior to the distribution of the shares by the Trust, Nunasi and its shareholders entered into an Unanimous Shareholders Agreement providing that each of the regions would have equal voting rights in Nunasi. This preserves the governance that existed before the Trust distributed its Nunasi shares.

38. The Trust now has assets comprising a promissory note issued by Nunasi for $3,502,311.94. This promissory note will be used to pay expenses of the Trustees and the costs of passing the accounts.

39. Those amounts will be held pending an order relating to the passing of these accounts, the filing of the final income tax return of the Trust and the receipt of a clearance certificate from CRA. After the filing of the final income tax return of the Trust and the receipt of a clearance certificate, the funds remaining will be distributed to the RIAs in accordance with the Restated 2019 Trust Agreement.