

**Kitikmeot Inuit Association
KIA Board Meeting # 06/08
Wednesday, November 19, 2008
Cambridge Bay, Nunavut**

Present:	<i>Charlie Evalik</i>	<i>President</i>
	<i>Raymond Kayasark</i>	<i>Vice President</i>
	<i>Dennis Lyall</i>	<i>Vice President of Finance</i>
	<i>Jack Kaniak</i>	<i>Board Member, Kugluktuk</i>
	<i>Peter Kapolak</i>	<i>Board Member, Bay Chimo/Bathurst</i>
	<i>Bob Aknavigak</i>	<i>Board Member, Cambridge Bay</i>
	<i>Joseph Aglukkaq</i>	<i>Board Member, Gjoa Haven</i>
	<i>Bob Lyall</i>	<i>Board Member, Taloyoak</i>
Staff:	<i>Jason Tologanak</i>	<i>Acting Executive Director</i>
	<i>Sherry Emingak</i>	<i>Director, Finance and Administration</i>
	<i>Clare Basler</i>	<i>COO, Kitikmeot Corporation</i>
	<i>Gary Cayen</i>	<i>President/ CEO, NCC Investment Group</i>
Regrets:	<i>Fred Elias</i>	<i>Executive Director- Medical</i>
	<i>Teddy Apsaktaun</i>	<i>Board Member, Kugaaruk-Excused</i>

Call to Order: President Evalik calls the meeting to order at 12:27PM

Conflict of Interest: No one declared but was advised to do so if and when a conflict arise

Welcome remarks by President Charlie Evalik

Correspondence (action)

NCC Investment Group In. Tax Planning

Background

The NCC Investment Group of companies holds approximately \$ 140 million of real estate assets, which were built for and leased to the Government of Nunavut. These building comprised the incremental offices and residential properties that were required for the new Government of Nunavut when Division took place in 1999.

The nature of real estate assets if financed, which these are, there is a blended monthly payment which includes interest expense and principal repayment. The payments stay the same over the life of the mortgage. In the earlier years the payment is mostly interest expense and a small amount for principal repayment.

As the years go on in the life of the mortgage the amount of the payment applied to interest expense decreases and the amount applied to principal repayment increases.

Another feature of buildings is that the depreciation (called capital cost allowance for tax purposes) is on a declining basis, usually 4%. Again in the earlier years the amount written off against income for tax purposes is higher and declines over the years.

These two features combined result in more expense applied against income for tax purposes in the earlier years and hence lower income taxes. However in the later years the expense declines and income taxes increase. This has a significant effect on cash flows because the overall blended mortgage payment of interest and principal stays the same.

Current Situation

NCC is approaching the halfway point in the mortgages on the buildings. Some were financed in 1997, some in 1998 and the balance in 1999. So the company is approaching that point in the life of the mortgages where income taxes are increasing significantly due to the two factors pointed out in the background information above.

There is a provision in the Canadian Income Tax Act that allows certain types of real estate companies to pay dividends to its' shareholders and the shareholders pay the tax on the dividends. To benefit from this provision the company must have not more than 5 employees and its' assets essentially be in the form of real estate. The company can apply for this provision, which is called a Strategic Investment Business or SIB.

NCC, its' shareholders (the three regional birthright development companies and Nunasi, a Nunavut wide birthright development company) and their parent organizations have some unique characteristics which can take advantage of this part of the income tax act and significantly reduce the income taxes that NCC will pay. NCC's shareholders are ultimately owned by not for profit organizations, which do not pay income taxes.

The tax plan would work like this: NCC would pay dividends to its' shareholders, KC, Nunasi, Sakku, and Qikiqtaaluk. These dividends would be a special designation under the income tax act and NCC could apply for a tax refund bases on these dividends. The four development companies would reinvest the cash received by these dividends back into NCC and "stated capital". The four development companies would in turn declare dividends to their shareholders, which in turn would deem the dividends to be an increase in stated capital of their subsidiary development companies. This last set of transactions won't involve cash moving back and forth from the dev. Corps to the RIA's, but can be handled simply by resolutions.

This plan, when in effect, will reduce NCC's income taxes from 46% to 20% and result in several million dollars income tax savings per year. Without implementing this plan, the increasing tax load will seriously affect NCC's cash position in the late years of the mortgages to the point whereby the shareholders would likely have to inject further funds into NCC.

Once the mortgages are paid off in 2018, 2019 and 2020 most of the income and cash generated will be able to be paid out to the shareholders.

We are planning to have the President & CEO of NCC come to Cambridge Bay at an appropriate time to explain the tax plan to KIA. Similar meetings are taking place with the other RIA's and Nunasi.

KIA Resolution

WHEREAS The KIA Board of directors met at a duly constituted board meeting held in Cambridge Bay, on November 19th 2008, and considered the recommendation presented above, and concurs with the recommendation, and

WHEREAS the Kitikmeot Inuit Association has reviewed the presentation material presented by NCC Investment Group Inc. regarding its proposed corporate tax strategy, and

WHEREAS The corporate tax strategy is a fundamental initiative to restore liquidity and profitability for NCC Investment Group Inc.

NOW THEREFORE BE IT RESOLVED THAT the Kitikmeot Inuit Association authorizes NCC Investment Group Inc. and its legal and accounting advisors to correspond with Kitikmeot Inuit Association's auditors and legal counsel to obtain confirmation that Kitikmeot Inuit Association is exempt from income taxes, and

BE IT ALSO RESOLVED THAT the Kitikmeot Inuit Association will receive independent advice from its legal advisors and auditors regarding the proposed NCC Investment Group Inc. corporate income tax strategy. NCC Investment Group Inc. will cover the costs for Kitikmeot Inuit Association in obtaining such advice.

BE IT FURTHER RESOLVED that subject to receiving appropriate assurances from its legal advisors and auditors and subject to receiving agreement from Kivalliq Inuit Association and Qikiqtani Inuit Association that they will both also approve the NCC corporate income tax strategy, the Directors of the Kitikmeot Inuit Association approve the tax strategy prepared by NCC Investment Group Inc.

The foregoing resolution is hereby consented to by all the directors of the Association pursuant to the Societies Act of Nunavut as of the 19th day of November 2008.

Moved by: Bob Lyall

Seconded by: Joseph Aglukkaq

Disposition

Carried

BD 61/08

Adjournment

Moved by: Bob Aknavigak

Seconded by: Peter Kapolak

Be it Resolved that the KIA Board meeting be adjourned at 1:35PM

Disposition

Carried

BD 62/08

PRESIDENT

EXECUTIVE DIRECTOR

SEAL