

FUNDING PROPOSAL
TO THE
NATIVE ECONOMIC DEVELOPMENT PROGRAM

ACTION PLAN TOWARDS ECONOMIC SELF-RELIANCE
IN NORTHERN QUEBEC



Submitted by:

MAKIVIK CORPORATION
February 1985

you should highlight the specific type of projects that Makivik undertakes, i.e. with high regional content.

- 5) Although you may not want to do so, I did not find any provision for loan reimbursement. Although the \$8,000,000 may generate more interest than actually needed in the first years, the absence of any reimbursement scheme will limit the life of those millions in the long run. This reimbursement aspect was strongly highlighted by KRDC, FCNQ and KRC when we discussed the proposal last June 1984. In other words, you may revise your position to make your capital grow in the long term.

This being said, we are still willing to endorse your proposal as is but we will do so in the same frame of mind as we did last June, i.e. we won't get involved.

We sincerely feel (and we hope you take this criticism positively) that this scheme is far too elaborate for the communities. This operation was similarly operated by the DNA many years ago.

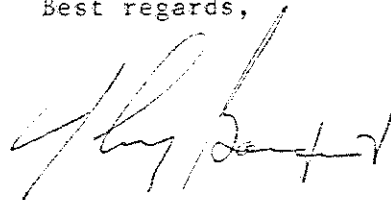
Most certainly we do need a financial institution or investment fund in the North. But we basically don't need anything beyond a handful of credit officers, project analysts or development officers if only to handle the actual demand for the creation of business.

The process you suggest also overlaps KRDC's role of "Chamber of Commerce" for its members (of which you will find LHC's, NVC's, the FCNQ and individuals of all communities).

If you wish our full support and involvement concerning your proposal to the NEDP, I suggest you consult us as well as the FCNQ.

I feel it is too late suggest that we withdraw our proposal from the NEDP. Please bear in mind that we made this proposal after complete silence from Makivik on a subject the FCNQ and ourselves though- was settled last June 1984.

Best regards,



Jean Guy Bousquet
Coordinator

JGB/dt

c.c. Mary Simon
David Annanack
Mike Barrett
Georges Filotas

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
I- MAKIVIK: A CORPORATE PROFILE.....	6
II- REGIONAL AND LOCAL ENTITIES IN NORTHERN QUÉBEC: A BRIEF DESCRIPTION	14
III- WHY MAKIVIK IS THE APPROPRIATE BODY TO ADMINISTER AND COORDINATE THE PROPOSED ECONOMIC PROGRAM.....	18
IV- GLOBAL OBJECTIVES FOR ECONOMIC AND COMMUNITY DEVELOPMENT.....	20
V- THE DEVELOPMENT PROCESS IN NORTHERN QUÉBEC: BASIC NEEDS AND MAJOR CONSTRAINTS.....	22
5.1 The Need for Greater Self- Determination	22
5.2 The Need for Infrastructure Development.....	23
5.3 The Need for Adequate Economic and Social Programs.....	24
5.4 The Need to Reduce Living and Operating Costs in the North.....	27
5.5 The Need for Balanced Economic Development.....	29
VI- THE DEVELOPMENT PROCESS IN NORTHERN QUÉBEC: MAKIVIK'S DIVERSE RESPONSE.....	32
6.1 Responses Relating to Self- Determination.....	33
6.2 Responses Relating to Infrastructure Development and the Reduction of Living and Operating Costs.....	38
6.3 Responses Relating to Economic and Social Programs.....	40
6.4 Makivik Responses Relating to Balanced Economic Development.....	42
6.5 Key Elements of the Makivik Response to the Development of Northern Québec.....	48

	<u>Page</u>
VII- A COMMUNITY-BASED ECONOMIC DEVELOPMENT INITIATIVE FOR NORTHERN QUÉBEC.....	50
7.1 Business Development.....	50
7.1.1 Community Economic Workshops.....	50
7.1.2 Community Economic Development Coordination.....	51
7.1.3 Opportunity Analysis and Proposal Development.....	52
7.1.4 Business and Management Training.....	54
7.1.5 Coordination and Increased Access to Public and Private Sector Resources.....	55
7.2 Development Trust Fund.....	56
7.2.1 Required Amounts for Start-Up Capital Financing.....	57
7.2.2 Eligibility for Grants and Loans.....	58
7.2.3 Conditions and Criteria for Grants and Loans.....	58
7.2.4 Shared Responsibility for Seed Capital Grants and Loans...	60
VIII- BUDGET AND WORK PLAN.....	63
8.1 Makivik Contributions.....	63
8.2 Budget: Business Development Component (Years 1,2,3,4).....	64
8.3 Budget: Year 1, Monthly Expense Statement.....	71
8.4 Time-Phased Work Plan.....	72
8.5 Project Management Organizational Chart.....	73
IX- NEDP FUNDING REQUEST.....	75
9.1 Business Development Contribution.....	75
9.2 Development Trust Fund.....	79
CLOSING REMARKS.....	83

- ANNEX I: Makivik Annual General Meeting
Resolution Regarding Inuit Socio-
Economic Development (Quaqtaq,
April 9-13, 1984)
- ANNEX II: An Act Respecting the
Makivik Corporation, R.S.Q.,
c.S-18.1
- ANNEX III: Audited Financial Statements
of Makivik Corporation for:
year ending September 30, 1983,
year ending September 30, 1984.
- ANNEX IV: Schedule of Investment: year
ending: September 30, 1983,
year ending September 30, 1984.
- ANNEX V: Populations of Inuit Communities
- ANNEX VI: Comparison of Northern and
Southern Air Travel Costs
- ANNEX VII: Makivik Internal Control Procedures-
Investments in Bonds and Stocks and
Investment in Money Market Instruments
- ANNEX VIII: Documented Support for Makivik
Proposal by Inuit Communities
and Organizations

TOWARDS ECONOMIC SELF-RELIANCE
IN NORTHERN QUÉBEC

INTRODUCTION

Makivik is pleased to submit this funding proposal to the Native Economic Development Program (NEDP). In order to place our proposal in a more global and meaningful context, we are including for your consideration the following introductory remarks.

There are approximately 5,800 Inuit in northern Québec. This territory is about one-third the size of Québec and our people are the predominant population (see enclosed map).

Makivik Corporation is an Inuit organization created in 1978 under Québec law and represents the Inuit of northern Québec on economic, social and other issues related to the James Bay and Northern Québec Agreement. The Agreement was signed in 1975 and was the first comprehensive land claims settlement existing in Canada.

In addition, through Makivik subsidiaries, we operate various economic ventures of regional scope in our territory. These include an airline (Air Inuit), a construction company (Kigiak Builders) and a maintenance company (Sanak Maintenance).

In regard to Inuit socio-economic development, Makivik has become increasingly involved in both its short and long-term aspects. At the national level, Makivik is an active participant (along with Inuit from other regions) in the ongoing constitutional process, where we seek greater recognition of our fundamental economic and other rights. Our organization has also submitted two comprehensive briefs to the Royal Commission on the Economic Union and Development Prospects for Canada. Through such representations, we hope to ensure that Inuit economic and other aspirations, needs and concerns will be adequately considered by the Royal Commission when it examines the long-term economic potential in Canada's diverse regions.

Within northern Québec, we have worked together with other regional organizations and federal and provincial governments to improve community infrastructure. We have initiated an accelerated program for school and housing construction as well as a multi-year Airport Improvement Program in Inuit communities. Such infrastructure is essential to our communities and will facilitate Inuit in engaging in economic activities at the local level.

As the Inuit native party under the James Bay and Northern Québec Agreement, Makivik endeavours to ensure the full and timely implementation of the Agreement. We are concerned that, after nine years, the socio-economic commitments of the federal and Québec governments have still not been carried out under Chapter 29 of the Agreement.

At Makivik's 1984 Annual General Meeting in Quaqtaq last April, Inuit delegates from all our communities identified Inuit socio-economic development as an urgent priority issue for our region. Therefore, a resolution was passed (see Annex I) requesting Makivik to begin formulating a comprehensive economic development strategy for northern Québec, together with Inuit communities and regional and local entities concerned.

In embarking upon a northern economic strategy, Makivik and other regional organizations are taking the following concrete steps:

- 1) we are organizing an Inuit Economic Conference in our region in April 1985 so as to increase Inuit awareness and involvement, identify community needs and priorities and analyze existing economic problems;
- 2) we are continuing to review federal and provincial socio-economic programs so as to determine their adequacy and relevance to our northern region;
- 3) we are in the process of establishing training programs which are geared to meet the needs of particular groups, such as unilingual adults with little formal education and Inuit youth. For example, in the field of construction, we are working with the Québec government to change Québec's labour and construction laws so that they do not prevent Inuit from obtaining construction jobs in our region;
- 4) as already indicated, we are also working to ensure that essential services and other community infrastructure are available in Inuit communities so as to facilitate community development.

As can be seen from all of the above, Makivik has committed, and will continue to commit, substantial human and financial resources towards establishing viable economic development in northern Québec. However, there are two crucial parts of our evolving economic strategy

which are sorely in need of financial assistance from NEDP. Both aspects directly relate to community-based economic development, which we believe must be an integral part of northern local and regional development.

We are planning to put into place an organizational network in Inuit communities so that community animation as well as technical and other assistance would be readily available for local economic projects. In addition we are seeking to establish an \$8M Development Trust Fund, the revenues of which would be used primarily as seed capital grants for businesses and other economic ventures in our region. In this regard, Makivik would undertake to contribute \$ 200,000. per year in order that an amount of approximately \$ 1M would be available each year for such grants.

The first aspect, requiring NEDP assistance of \$ 2.2M over a 4-year period, relates to establishing an organizational network in Inuit communities (see item 5 above). The creation of a successful network would necessarily include such elements as community economic workshops, coordination of local economic activities, opportunity analysis and proposal development, business and management training as well as identification of public and private sector funding sources.

The second aspect concerns the proposed Development Trust Fund (see item 6 above) and would require \$ 8M in funding from NEDP. Makivik would commit itself to maintaining the capital of the Trust Fund intact, using only the interest generated from its investment. Makivik would add to this sum an annual contribution of \$ 200,000. of its own funds, increasing to \$ 1,000,000. the total amount available per annum for the financing of Economic Development projects in northern Québec Inuit communities. Such a Trust Fund is vital if we are to compensate for the high start-up and operating costs associated with northern enterprises and the chronically low level of available seed capital in Inuit communities.

Since northern economic development requires much more than capital infusion for business investment, we firmly believe that the creation of both an effective organizational network in Inuit communities and a Development Trust Fund must proceed together. Consequently, this funding proposal focuses and elaborates on these two significant aspects.

More fully, the purposes of Makivik's funding proposal can be summarized as follows:

- 1) to apply for financial assistance from NEDP so as to ensure that community-based economic development will be an integral part of a comprehensive economic strategy in northern Québec;
- 2) to provide an appropriate description of Makivik Corporation and other regional and local entities involved with economic activities in northern Québec;
- 3) to indicate Makivik's overall objectives in regard to community and economic development and show why Makivik is best suited to administer and coordinate the proposed economic program;
- 4) to describe the basic economic needs of Inuit and the major constraints we face in northern Québec, as well as Makivik's response to date to such challenges;
- 5) to demonstrate how the creation of an organizational network at the community level and a Development Trust Fund clearly fall within the established objectives and funding criteria of NEDP (particularly Elements II and I respectively); and
- 6) in particular, to specify in detail our budgetary needs and business plan to enable us to achieve our proposed objectives.

I. MAKIVIK: A CORPORATE PROFILE

Makivik Corporation was established pursuant to the James Bay and Northern Québec Agreement, by Special Act of the National Assembly of Québec and proclaimed as law on June 28, 1978.¹ Pursuant to its Charter, Makivik is a non-profit association without share capital and without pecuniary gain for its members and is governed by Part III of the Québec Companies Act. In addition, according to the Agreement (section 1.11), Makivik is the native party succeeding to the Northern Québec Inuit Association as the representative of Inuit of northern Québec.

We believe that the very reasons for the creation of Makivik, as depicted in its Charter objectives, and Makivik's achievement in these areas illustrates why Makivik is best suited to administer a comprehensive economic development program involving northern Québec Inuit.

Objectives of Makivik

The Charter of Makivik provides that it shall have the following objectives, namely:

- a. to receive, administer, use and invest the part, intended for Inuit, of the compensation provided for in the Agreement and the revenues therefrom, the whole in accordance with its Charter;
- b. to relieve poverty and to promote the welfare and the advancement of education of Inuit;

¹ See, An Act to Respecting the Makivik Corporation, R.S.Q., c.S-18.1, Annex II.

- c. to develop and improve Inuit communities and to improve their means of action;
- d. to exercise the functions vested in it by other Acts or the Agreement;
- e. to foster, promote, protect and assist in preserving the Inuit way of life, values and traditions.

Head Office

The head office of Makivik is located at Kuujjuaq, northern Québec. In addition, the corporation has offices in Inukjuak, Montréal and Québec City.

Membership

Pursuant to its Charter, a person is entitled to be enrolled as a Member of Makivik:

- A. if on November 15, 1974, he or she was
 - i. a person of Inuit ancestry who was born in Québec, ordinarily resident in Québec, or recognized by one of the Inuit communities of Northern Québec as being a member thereof;
 - ii. the adopted child of a person contemplated in paragraph (i).
- B. if after November 15, 1974, he or she was
 - i. a descendant in the male or female line of a person contemplated in (A);
 - ii. the adopted child of a person contemplated in (A) or in paragraph (i);

- iii. the lawful spouse of a person contemplated in (A) or in paragraph (i) or (ii).

Board of Directors

In conformity with the Charter and By-Laws of Makivik, at present the Board of Directors consists of 22 persons, made up as follows:

- 13 directors elected by the Inuit communities, that is one representative elected from and by each Inuit community;¹
- 6 persons elected from among the members of the Corporation at large, by the members of the Corporation at annual general meetings as Officers/Directors-at-large (ie. President/Director-at-Large, Treasurer/-Director-at-Large etc.)
- 2 directors appointed by the Government of Québec;
- 1 director appointed by the Minister of Indian Affairs and Northern Development.

The term of office of the Directors is 3 years. In order to ensure greater continuity, elections are held in such a way as to provide for staggered terms.

Meetings of the Board of Directors and Members

The Board of Directors meet at least four times per year. However, informal telephone conversations, up-date reports and field trips made by the Officers, keep the other Directors informed as to the activities of Makivik.

¹ Although there are fifteen (15) Inuit communities in northern Québec, two of these communities, Povungnituk and Ivujivik have chosen not to have representation on the Makivik Board of Directors. In addition to these fifteen communities, a new community is being established at Umiujaq, and the Inuit of Killiniq are requesting to be relocated at Taqpangayuk.

The Members of Makivik meet annually within six months of the fiscal year end (September 30). All members of the age of majority have the right to vote at such meetings or to vote by proxy. However, no Member may hold more than 10 proxies. The Charter provides that Makivik furnish the necessary funds to cover the expenses incurred by at least two representatives of each Inuit community to attend the Annual Meeting.

It is an unwritten policy of Makivik, following tradition, that the Board of Directors and Annual General Meetings of Members be held in a different Inuit community on each occasion.

Auditors

The auditors of Makivik are Peat, Marwick, Mitchell & Company, Chartered Accountants, 1155 Dorchester Boulevard West, Montreal, Québec.

Legal Counsel

Legal counsel of Makivik are Joffe, Pennee, Gagné & Silverstone, 4898 de Maisonneuve Boulevard West, Westmount, Québec.

Company Bankers

Makivik's principal bankers are the Canadian Imperial Bank of Commerce, 800 Dorchester Boulevard West, Montreal, Québec.

-FINANCIAL RESPONSIBILITIES AND ACTIVITIES

Compensation Funds

Pursuant to the Agreement, Makivik is entitled to receive, for the use and benefit of the Inuit beneficiaries, the sum of \$ 91,709,750.00, representing the Inuit share of the total \$ 225,000,000.00 compensation provided for in the Agreement. As of September 30, 1983 (the last fiscal year end), Makivik had received a total of \$ 61,421,048.00.

Of this amount \$ 30,394,774.00 was paid in the form of Province of Québec Debentures issued in five equal and consecutive series on November 1 in each of the years 1975-79. While these Debentures have a maturity date of 20 years, they may be presented by the holder on their 10th or 15th anniversary date. The average yield on the 5 issues is 10.15%

Of the balance of the compensation funds, one-half is to be received in accordance with an established schedule between March 31, 1976 and January 1, 1985 and the other half determined with reference to installed generating capacity of hydroelectric generating stations built in the territory north of the 49th parallel of latitude after the execution of the Agreement and payable over a maximum period to December 31, 1996.

Until October 31, 1987, at least 75% of this balance of compensation funds must be invested in investments described in the Schedule to the Agreement, a copy of which forms part of the Charter (see Annex I) Annex 1 and hereinafter referred to as the Schedule of Investments. This percentage declines to 50% on November 1, 1987 and remains at that level until October 31, 1997. As of September 30, 1983, the amount of compensation so restricted was \$ 23,269,705.00.¹

Until 1982 the majority of the portfolio invested was limited to short-term deposits, in order to take advantage of the high rates of interest being offered. Since that time, the portfolio has been more diversified and actively traded.²

Based on the financial philosophy outlined by the Agreement and the desire to protect the capital of the compensation for future generations, it is the policy of the Corporation to limit its expenditures to the revenue being generated by the compensation.

Investment Review Committee

The Board of Directors has mandated an Investment Review Committee to be responsible, within the guidelines established by the Schedule of Investments, to determine the investment parameters of the Corporation's portfolio. This Committee is presently made up of the following persons:

-
- 1 please see copy of audited financial statements of Makivik for the year ended September 30, 1983 attached as Annex III.
 - 2 The results of the investments made pursuant to the Schedule of Investments are attached as Annex IV. We believe these results compare very favourably with those of similar investment funds.

Mary Simon, President of Makivik Corporation for the past three years, having previously held other Executive positions with the Corporation. Ms. Simon is also an Officer and Director of two of the Corporation's subsidiaries. In addition, Mary Simon serves as Vice-Chairperson on the federal Native Economic Development Board and is a member of the Advisory Committee mandated by the federal government to organize the National Economic Conference scheduled to take place in March 1985. Prior to her election as President of Makivik, Ms. Simon was the Secretary-General of the Kativik School Board. Ms. Simon has also held executive positions with the Inuit Circumpolar Conference.

Jobie Epoo, Treasurer of Makivik Corporation since 1981, having previously held other positions with the Corporation. Moreover, Mr. Epoo is an Officer and Director of all of the Corporation's subsidiaries.

Kamal Hanna, B. Comm., C.A., Director of Finance of Makivik Corporation since 1979. Prior to his appointment, Mr. Hanna worked in public audit firms including, during a period of 9 years, the firm of Peat, Marwick, Mitchell & Company. As Director of Finance, Mr. Hanna is responsible for executing investment decisions.

Simon Sénécal, a Director of Makivik Corporation appointed by the Minister of Indian Affairs and Northern Development. Mr. Sénécal is also the Chairman of the Board of Brault, Guy, O'Brien.

Bernard Pennee, B.A., B.C.L., L.L.B., M.B.A., a member of the Corporation's legal counsel, who has been involved in the affairs of the Corporation since 1977. Mr. Pennee has taught law courses at McGill University since 1977 and previously taught Economics at Concordia University.

David S. Kertland, B.Sc, M.B.A., representative from Jarislowsky Fraser & Co. Ltd.. Founded in 1955 this investment counselling firm manages both corporate and private investment portfolios totalling over \$ 2 Billion.

Corporate Structure

Each of the Directors-at-Large are elected for a 3-year term to an Executive officers position. At the present time these officers are:

Mary Simon	-	President
Mark R. Gordon	-	First Vice-President
Johnny Peters	-	Second Vice-President
Minnie Grey	-	Third Vice-President
Martha Kauki	-	Secretary
Jobie Epoo	-	Treasurer

The following is a functional area organigram of the Corporation.

BOARD OF DIRECTORS

PRESIDENT

<u>1st Vice-President</u>	<u>2nd Vice-President</u>	<u>3rd Vice-President</u>	<u>Treasurer</u>	<u>Secretary</u>
- Political development	- Research	- Project planning and development	- Budget management and financial statements and procedures	- Administration
- Constitution	- Environment	- Landholding Corporations	- Investments	- Policies and procedures
- Claim negotiations	- Coordinating Committee	- Socio-economic and cultural matters	- securities	- Offices and personnel
- Special Projects	- Anguvigaaq		- subsidiaries	- Translation services
			- Accounting controls and procedures	- Training
				- Communications
				- Information Services

II. REGIONAL AND LOCAL ENTITIES IN NORTHERN QUÉBEC: A BRIEF DESCRIPTION

In addition to Makivik, various regional and local organizations are involved in the process of development within northern Québec. In this section, we will briefly identify these organizations and their mandates.

Kativik Regional Government

The Kativik Regional Government (K.R.G.) was provided for in the James Bay and Northern Québec Agreement and, as a result, was created under Québec law in 1978 with jurisdiction and responsibility for administration of the territory north of the 55th parallel in Québec. The powers of the K.R.G. include town-planning and land-development; transport and communications; and manpower training and employment.

La Fédération des Coopératives du Nouveau-Québec

The Fédération des Coopératives du Nouveau-Québec (the F.C.N.Q.) was established in 1967 to coordinate the efforts of the then five cooperatives of Kuujjuarapik, Povungnituk, Kuujjuaq, Kangirsuk and Kangiqsualujjuaq. Today, the F.C.N.Q. is made up of twelve northern Québec cooperatives. As a natural extension of the local cooperatives, the F.C.N.Q. has the same purposes and objectives as its affiliates. It handles marketing of carvings and handicrafts and is involved in outfitting. It also constitutes a centralizing body for purchasing and for negotiating loans, and acts as accounting advisor to its member cooperatives.

Kativik Regional Development Council

The Kativik Regional Development Council (the K.R.D.C.) was established in 1980 in accordance with the Agreement. The K.R.D.C. is the preferential consulting body of the Office de Planification et de Développement du Québec (O.P.D.Q.) in matters related to public consultation and advice on development in the region north of the 55th parallel. The objects of the K.R.D.C. include: promotion of economic and social development of the territory, in accordance with the expectations and needs of the population and in cooperation with the organizations concerned; consultation of the population on economic development matters; assisting in preparation of a regional development plan; and ensuring that the population of the region takes an active part in the development of the region.

Kativik School Board

The Kativik School Board (K.S.B.) was created in 1978 under Québec law as a result of the Agreement. Education was gradually taken over from the former federal schools of the Department of Indian Affairs and Northern Development (D.I.A.N.D.) and the Commission scolaire du Nouveau-Québec. The K.S.B. has the responsibility to provide educational services to Inuit and non-Inuit at the kindergarten, primary, secondary and adult education levels.

Iliqvik Inc.

Iliqvik Inc. (Iliqvik) was incorporated in 1982 to facilitate vocational training courses for Inuit. Makivik, K.R.G. and K.S.B. are members and have appointed representatives to the Board of Iliqvik.

Landholding Corporations

Landholding Corporations (L.H.C.s) were created in 1978 in each Inuit community as part of the Agreement. The L.H.C.s act as the local ethnic body representing Inuit community interests. The powers and duties of the L.H.C.'s include:

1. engaging in certain activities related to the ownership and administration of lands within each community;
2. supervision of certain hunting and fishing rights of non-residents and non-natives;
3. exercise of certain rights concerning the establishment of commercial fisheries in or near communities.

Northern Village Corporations

The Northern Village Corporations (N.V.C.s) are the non-ethnic municipal governments headed by an elected mayor and responsible for public security, public health and hygiene, land-use, public services and public works.

Anguwigaq Wildlife Management Inc.

Anguwigaq Wildlife Management Inc. (Anguwigaq) was created by Inuit in 1982 to provide clear direction to Inuit as well as all northern institutions and government agencies on wildlife issues in northern Québec. The principal objective of Anguwigaq is to protect the renewable resource base on which the Inuit subsistence economy depends and to protect the interests of Inuit harvesters.

Avataq Cultural Institute Inc.

Avataq Cultural Institute Inc. (Avataq) was created as a non-profit organization to promote all forms of Inuit culture and education. Avataq is currently involved in a number of significant activities, including a museum and cultural centre project, Inuit place-naming, and the creation of an Inuit Language Commission.

III. WHY MAKIVIK IS THE APPROPRIATE BODY TO ADMINISTER
AND COORDINATE THE PROPOSED ECONOMIC PROGRAM

In addition to assessing the type of economic initiatives Makivik is proposing, NEDP will also wish to satisfy itself that Makivik is the appropriate entity to administer and coordinate such a project.

We respectfully submit that Makivik is the appropriate institution, based on the following reasons:

- 1) Makivik is an ethnic Inuit organization whose members are made up of the 5,800 Inuit of northern Québec;
- 2) Inuit communities have equal representation on the Makivik Board through the election of community Directors;
- 3) Makivik has a broad mandate to deal with economic and community development, both in its Charter and from the community delegates at its 1984 Annual General Meeting;
- 4) Makivik has acquired experience in regard to northern economic policy and program development and continues to be involved in numerous diverse economic issues at the national, regional and local level;
- 5) Makivik has the administrative capacity to undertake the proposed project and has a proven "track record" in respect to sound and efficient administration; and

- 5) Makivik has already committed, and will continue to commit, substantial human and financial resources to projects and issues related to northern economic development, including the proposed project.

Moreover, we feel that it is more in the interests of both northern Québec Inuit and NEDP that Inuit administer their own economic programs rather than rely on NEDP to administer such programs. First, it is only by acquiring such direct experience ourselves that we will, as Inuit, achieve an adequate level of economic self-reliance. Second, Inuit perspectives, values and priorities can best be ensured through representative Inuit institutions, such as Makivik. Third, the project we propose is a long-term one and will require appropriate mechanisms for administration and control well beyond the specified duration of the Native Economic Development Program.

Therefore, we would conclude that Makivik is well-suited to accept responsibility and control of the economic development initiatives outlined in this funding proposal.

IV. GLOBAL OBJECTIVES FOR ECONOMIC AND COMMUNITY DEVELOPMENT

In considering this funding proposal, it is important that NEDP be informed of Makivik's global objectives for economic and community development in our region. These overall objectives may be summarized as follows:

- 1) To formulate and implement a comprehensive economic development strategy in the north in collaboration with other regional and local organizations concerned.
- 2) To promote self-sufficiency and raise the standard of living in the communities and ensure that tangible benefits are realized at the community level.
- 3) To break the cycle of dependency on government socio-economic programs through the creation of jobs and other economic opportunities appropriate to the communities and the region, taking into account education and training needs.
- 4) To involve the communities to a maximum extent possible in all aspects of community development, including economic development.
- 5) To assist the communities in the implementation of socio-economic programs.

- 6) To promote balanced northern economic development, ensuring in particular the continuance and growth of the subsistence economy taking into account conservation principles.
- 7) To collaborate with the regional and local organizations involved so as to maximize efforts and avoid unnecessary duplication and competition.
- 8) To maximize benefits to Inuit and the region from large-scale developments.
- 9) Where possible, in carrying out these objectives, to proceed in a manner which is consistent with Inuit cultural aspirations and initiatives towards adequate self-government.

It is evident from the above goals that, in our view, active participation of Inuit communities is central to the realization of a viable, permanent and balanced northern economy. As already indicated, such community-based economic development is the main focus of this funding proposal.

V. THE DEVELOPMENT PROCESS IN NORTHERN QUÉBEC: BASIC NEEDS AND MAJOR CONSTRAINTS

5.1 The Need for Greater Self-Determination

Self-determination involves more than just rights related to culture and language. It also includes appropriate institutions designed, controlled and managed by Inuit, as well as sufficient resources to exercise rights and powers and operate such institutions.

Despite the specific terms of the Agreement, no unified system for the delivery of municipal services has been worked out among Canada, Québec, K.R.G. and the N.V.C.s. In fact, in March 1981, the federal government unilaterally transferred its administrative responsibility for electricity, housing and other services to Québec, thereby reducing the ability of our regional and local institutions to exercise effective control in these areas.

In addition, the lack of an adequate revenue base in the region has made the K.R.G. and N.V.C.s virtually totally dependant on capital and operating budgets from Québec. The inadequacy of these budgets jeopardizes the ability of our regional and local governments to properly and effectively exercise their already diminished powers.¹

¹ To the same effect, see Rouland, Les Inuit du Nouveau-Québec et la Convention de la Baie James, Université Laval, Québec, 1978, pp. 157-158.

5.2 - The Need for Infrastructure Development

Facilities and services available in Inuit communities in northern Québec are clearly inferior to those in similar communities in the Northwest Territories. This is largely due to the jurisdictional disputes between Canada and Québec which took place in the 1960's and early 1970's. As a result, essential services such as airstrips, housing, schools and municipal services, were not maintained and experienced serious decline.

Community centres and other municipal infrastructures are still sorely needed. Such infrastructure development could have been financed through federal-provincial agreements under D.R.I.E. as in the Northwest Territories. However, such agreements have not been available in Québec.

To date this situation still prevails despite the recent signing of the 1.8 billion dollar, 10-year Economic and Regional Development Agreement (ERDA) signed between Ottawa and Québec, December 14, 1984. No reference is made in ERDA to our northern Québec region. Nor are there any express provisions in relation to socio-economic commitments of Canada and Québec under Charter 29 of the James Bay and Northern Québec Agreement.

It was only recently that cost-sharing arrangements were concluded with respect to an accelerated program of construction for schools and housing. In addition, it was only in late 1983 that a federal-provincial cost-sharing agreement was finally signed to allow for an airstrip improvement program to begin in Inuit communities. Such program has commenced in

1984 with the construction of the first airstrip and will continue throughout at least a 6-year period.

5.3 The Need for Adequate Economic and Social Programs

The spirit and letter of chapter 29 of the Agreement recognizes that virtually all aspects of economic activity in the territory north of the 55th parallel require further government initiatives. Aside from one major exception,¹ no new programs have been created to implement chapter 29 and no laws have been proposed by the federal or Québec government for enactment by their respective legislatures.

In addition, the Agreement provides a mandatory obligation on the part of Canada and Québec to provide financial and technical assistance to Inuit entrepreneurs.² Yet, no assistance was available for start-up costs when Makivik set up such regional economic operations as Air Inuit and Kigiak Builders. Financial

1 The Inuit Hunter Support Program was implemented by Québec legislation (Bill 83) passed on December 16, 1982. See An Act respecting the support program for Inuit beneficiaries of the James Bay and Northern Québec Agreement for their hunting, fishing and trapping activities, S.O. 1982, c. 47.

2 See section 29.0.39 of the Agreement which provides: Canada and Québec shall support Inuit entrepreneurs by providing them with technical and professional advice and financial assistance. (Emphasis added)

assistance for these large projects could have been provided through Special A.R.D.A. programs if they had been available in Québec.

The federal Implementation Review Report,¹ summarized the profound effects of such poor federal-Québec cooperation as follows:

Comprehensive development strategies with special emphasis on the needs of native people have been developed, and are being implemented in other northern areas of Canada through the mechanism of long-range development agreements, entered into by provincial and territorial governments and Canada. It is ironic that the Crees and Inuit, who appear, on the basis of the letter and spirit of the Agreement, to perhaps have a greater claim than others to such development assistance have as yet not received any significant help. This is an urgent problem which deserves immediate attention by all the parties to the Agreement. (Emphasis added)

A major anticipated benefit obtained by Inuit under the Agreement was the right to priority in regard to both contracts and employment on projects by government as well as other proponents.² Despite these provisions, until last year, no contracts have been granted by Québec to Inuit enterprises in the region to build schools or houses

1 See Department of Indian and Northern Affairs, James Bay and Northern Québec Agreement Implementation Review Report, February 1982, at p. 66.

2 See Sections 29.0.31 and 29.0.32 of the Agreement.

in our northern communities.¹ This has been especially unfair since it is primarily through Inuit efforts that additional federal monies (\$26 million) for the accelerated program for school and housing construction are being channeled into northern Québec.

Moreover, in the important area of construction, the rules and regulations governing the industry have themselves been an impediment to Inuit obtaining employment.²

The lack of adequate economic and social programs is especially noticeable in respect to Inuit training. The establishment of the Kativik School Board in northern Québec has provided some basic schooling to our people up to grade 12.³ However, business and

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- 1 In 1984, Kigiak Builders Inc. and the Fédération des Coopératives du Nouveau-Québec were awarded school and housing construction projects for Aupaluk and Akulivik respectively by a Québec Government Decree that specifically awarded such contracts without submitting them to the usual tendering process.
 - 2 In his summary statement at the Québec Parliamentary Commission hearings on the Construction Industry, held in August 1984, the Ministre du Travail, the Honourable Raynald Fréchette recognized for the first time that in order to fulfill the obligations of the government in regard to priority of employment pursuant to section 29.0.31 of the Agreement, the rules and regulations governing the construction industry would have to be modified. To such end, an Interministerial Committee was established with the mandate to recommend the necessary amendments.
 - 3 K.S.B. appears to be often hampered in developing curriculum and specializing training due to the lack of adequate funding.

management training designed to promote Inuit control of their basic institutions have been severely neglected by the federal and provincial governments. Iliqvik was created to try to coordinate and administer certain vocational training programs previously delivered by D.I.A.N.D.

5.4 The Need to Reduce Living and Operating Costs in the North

A well-known constraint in the north is the high cost of living. Although some Inuit housing, including heating and water delivery are heavily subsidized¹ by federal and provincial governments, food and fuel are at least 40% more in the north than in the southern parts of Canada. Transportation costs are often double in the north.² The resulting situation is that northern inhabitants are penalized with high transportation, food, fuel and other costs because the area is one of low population density and little economic development.

1 While some Inuit housing may be subsidized, the overall housing supplied to federal and Québec government employees brought to the north is of far superior quality, particularly in terms of facilities and living space per person.

2 A return flight from Montreal to Kuujjuaq, a distance of approximately 1,000 miles, amounts to \$ 697.00. This compares very disfavouably with rates for a 1,000 mile journey in more southern regions in Canada and in the United States.

Excessive living costs produce a tremendous drain on the financial resources of Inuit residents of northern communities. In addition, such high costs discourage the start-up, or else prevent the profitable operation, of commercial enterprises in the north.¹ This latter situation has the effect of severely decreasing the number of sustainable businesses. Since housing and fuel subsidies received from governments apply only to our residences, any Inuit commercial enterprise must pay the full costs of heating and municipal services in our communities.

¹ In regard to construction in the north, labour costs are approximately 90% higher, while the cost of building materials is approximately 20% higher due to the added transportation and related insurance costs.

It should be noted that the construction industry in Canada uses a multiple of 2.2 in comparing northern and southern construction costs. (Note all figures used are for 1981).

On the basis of southern hourly construction costs recommended by the Association des Constructeurs du Québec utilizing a typical 50-hour work week, the cost per hour for a construction worker is \$ 27.84.

Additional costs per hour for northern construction are:

Food	\$ 3.50
Lodging	10.50
Travel	2.01
Operating Costs (tools, trucks, etc)	4.32
Workmen's Compensation	0.40
Additional minimum hourly rate due to overtime	4.17
Total	\$ 24.90

Percentage increase in costs is therefore approximately 90% over southern hourly construction costs.

The lack of adequate infrastructure increases the difficulty of providing an efficient service at a reasonable price to the consumer.¹

5.5 The Need for Balanced Economic Development

Balanced economic development in the north requires sufficient funds, expertise and Inuit participation. In sharp contrast to the situation in the Northwest Territories, the government of Canada and Québec have not concluded an economic development agreement to jointly select and implement increased initiatives for the socio-economic development of Inuit in northern Québec.² As indicated earlier, a Canada-Québec ERDA agreement was signed in December 1984, but none of the initiatives contemplated refer directly to Inuit or our northern region.

1 For example, one of our subsidiaries, Air Inuit Ltd., is restricted to flying a daytime airline service due to lack of major airstrips and navigational aids in most Inuit communities in northern Québec.

2 See An Economic Development Agreement between the Government of Canada and the Government of the Northwest Territories, dated December 21, 1982.

Under the Canada - Northwest Territories general agreement, a number of important subsidiary agreements have been entered into to provide for economic programs related to inter-settlement trade of indigenous commodities between communities; planning and implementation of renewable resource projects; small business assistance; tourism development; community-based economic development planning; the enhancement of business management capabilities of northern businesses; and measures to provide aboriginal peoples with the opportunity to participate in training programs and employment opportunities and to overcome any barriers they might feel in participating in a wage economy.

Aside from the lack of economic funds and specific agreements to pursue balanced northern economic development, a further constraint is the long-standing attitude by government and industry that large-scale, non-renewable resource development is the main, if not sole, form of economic development in the north. This perception has resulted in numerous conflicts between the proponents of large-scale northern development and native peoples, whose regionally-based economies include extensive subsistence activities.¹

If we are to achieve balanced economic development in the north, hydroelectric development, mining and oil and gas activities must not necessarily be seen as the major or dominant uses of, or activities in, northern regions. Small-scale local developments, with lesser adverse impacts, will be desirable and necessary in the future if we are to establish a more diversified and sustainable economy in arctic and sub-arctic regions.

Another major impediment on balanced economic development in northern Québec is the lack of comprehensive economic planning in which Inuit could

¹ Recently, the government of Canada formally recognized the need to achieve a balance between wage employment and native subsistence activities. See An Economic Agreement Between the Government of Canada and the Government of the Northwest Territories, dated December 21, 1982, section 2.2(d).

participate and in which their values and interests would be protected.¹ In addition, Inuit do not have access to suitable banking and other financial services at the community level. Such services not only provide incentives to individuals to save and invest in business activities, but also furnish vital sources of financing and expertise. Currently, there is only one banking facility located in northern Québec.

A further constraint facing Inuit is the low-level of animation, skills and opportunity analysis in the communities themselves. Regional needs relating to economic development have often diverted human and financial resources from more community-based initiatives. This prioritization has seriously limited the opportunity for community-based economic development efforts, and has to a certain degree contributed to an imbalance in the economic development process in northern Québec.

¹ New land-use powers, which have been conferred upon municipalities in other parts of Québec, have not been extended to our territory above the 55th parallel. See An Act respecting Land Use Planning and Development, R.S.Q., c. A-19.1, s. 266 of the Act provides: This act does not apply in the territories situated north of the 55th parallel... In addition, section 1 of the Act excludes northern village corporations in our territory from the definition of municipal corporations under this Act.

VI THE DEVELOPMENT PROCESS IN NORTHERN QUÉBEC:
MAKIVIK'S DIVERSE RESPONSE

Makivik's comprehensive mandate empowers it to initiate and pursue activities relating to virtually all aspects of the development process. As the Inuit party to the James Bay and Northern Québec Agreement, Makivik has responded to multiple politically-oriented issues which have a significant impact on the cultural, social and economic development of Inuit. Many of the issues arise in the context of self-determination and the role and responsibilities of our regional and local institutions under the Agreement. Another broad category of Makivik responses are more specifically related to the development and implementation of economic initiatives, and the financial and human resources as well as infrastructures necessary for regional and community development.

We shall succinctly describe the major responses and activities of Makivik in its attempt to overcome major constraints which hamper the development process in northern Québec. It is important to note that the types of responses we will describe are not mutually exclusive. They are attempts to deal with the wide range of development-related issues which confront Inuit of northern Québec.

6.1 Responses Relating to Self-Determination

Self-Government

While existing institutions in northern Québec exercise certain powers of self-government, it is generally felt that additional powers are required as well as new, more independent systems of financing. New structures may also be required. In order to collect preliminary information and consult Inuit communities, a Northern Québec Task Force on Self-Government was created. This Task Force has now been replaced by a new group (Ujjiituijiit) made up of representatives of Makivik and other regional organizations, as a result of a Special General Meeting of Regional Organizations held last May in Povungnituk. Much work remains to be done on this complex and challenging issue.

Constitution - National Level

Since 1978, Makivik has devoted a significant amount of time to constitutional issues affecting Inuit interests. As a member of the Inuit Committee on National Issues (I.C.N.I.), Makivik has contributed substantially to the formulation of Inuit constitutional positions, participated at numerous constitutional conferences and appeared before various committees of the Senate and House of Commons. Makivik is continuing to play an active role in the ongoing constitutional process.

Constitution - Within Québec

In November 1982, Makivik, together with certain other aboriginal organizations, played a major

role in creating the Aboriginal Peoples of Québec Task Force on the Constitution.

The Task Force is comprised of Inuit, Indian and Métis and Non-Status Indian organizations in Québec and was successful in persuading Premier Lévesque to take part in the 1983 and 1984 First Ministers Conferences. Discussions with the Task Force also led Québec to establish parliamentary committee hearings in the National Assembly in regard to the rights and fundamental needs of Amerindians and Inuit.

Inuit Offshore Interests

As aboriginal peoples, northern Québec Inuit continue to have extensive rights and interests in the offshore area surrounding northern Québec. These rights and interests include such matters as wildlife harvesting and management, environmental management and protection, coastal zone management and participation in economic development. Therefore, there is a substantial amount of ongoing work to be completed in regard to the offshore.

Inuit Circumpolar Conference

Makivik and other Canadian Inuit organizations participate with Inuit from Alaska and Greenland in their international entity, Inuit Circumpolar Conference (I.C.C.). In July 1983, Canadian Inuit submitted an extensive working paper entitled Principles and Values for Consideration in a Draft Arctic Policy. Since February 1983, the I.C.C. has N.G.O. (Non-Governmental Organization) status in the United Nations.

Killiniq Relocation

Last January, after six years of discussion, the former population of Killiniq and Makivik instituted legal proceedings against the Government of Canada and the Government of the Northwest Territories to obtain compensation for the damages Killiniq Inuit sustained as a result of their forced relocation in February 1978. Negotiations with the federal government are continuing with a view to creating a new community at Taqpangayuk.

Resolute Bay/Grise Fiord Relocation to
Inukjuak

In the early 1950's, the federal government began a series of relocations involving Inuit from Inukjuak (formerly Port Harrison) to remote communities in the High Arctic. Such moves were held out to the Inuit families involved as an "experiment" and they were given assurances that, if they were not happy in their new homes after two years, they could return home to Inukjuak. The federal government never kept its commitment and, thirty years later, northern Québec Inuit are still trying to negotiate an adequate relocation plan with the federal government so that they and their families can return home. For the past few years, Makivik has been assisting Inuit living in Resolute Bay and Grise Fiord in their efforts to persuade the federal government to finance a proper move back to Inukjuak.

Caniapiscau Diversion Negotiations

Subsection 8.10 of the Agreement gives rise to certain obligations on the part of the James Bay Energy Corporation, Hydro-Québec and the Government of Québec in favour of northern Québec Inuit. More specifically, these obligations involve remedial measures to be taken to minimize to a reasonable extent the possible and probable damages of the Caniapiscau diversion on Inuit or wildlife north of the 55th parallel. For this purpose, Makivik has formed a Joint Committee with the municipality of Kuujjuaq and the Landholding Corporation of Kuujjuaq called the Joint Committee on the Caniapiscau Diversion. The Joint Committee was designed to work closely with the local Fishermen's Committee and with the Joint Study Group on the Caniapiscau Koksoak river system. The purpose of this Joint Committee is to consult with the community of Kuujjuaq and to prepare for negotiations on remedial measures related to the Caniapiscau Diversion. These remedial measures will include both individual and community compensation procedures. Makivik has provided funding to the Joint Committee and to the community of Kuujjuaq to work on the Caniapiscau Diversion issue.

Cultural Development

Through contributions of both human and financial resources, Makivik supports the work of Avataq Cultural Institute Inc., which is the primary entity in northern Québec focusing on Inuit cultural development. Last August, Avataq held its Third Annual Elders Conference in which Makivik participated.

Inuit Youth Association of Northern Québec

The United Nations has designated 1985 as the "International Year of the Youth". Makivik has sponsored the formation of the "Inuit Youth Association of Northern Québec". This Association has as its mandate:

- a) To voice the concerns, aspirations and interests of Inuit Youth;
- b) To identify suitable youth projects under the framework of the International Year of the Youth Program;
- c) To evaluate such projects with respect to measurable benefits to the communities with consideration to the limited financial resources available for such projects;
- d) To promote the sponsored projects to the various organizations for funding.

As their first activity Inuit youth participated in the Velodrome exhibition "Salon de la Jeunesse" in Montreal, February 8 to 17, 1985. In addition, they will be invited to attend the Northern Economic Conference to be held in Inukjuak, April 23 to 26, 1985. An early general meeting is also being planned by the Association where they will be articulating their goals and objectives and developing operating procedures.

It is hoped that as the Association becomes co-ordinated in its functions, Makivik will be delegating to it responsibility for the administration of some of its youth programs. In addition, Makivik will provide, as needed, resource and financial assistance to the Inuit Youth Association of Northern Québec.

Inuit History Project

The purpose of the Inuit History Project is to produce a textbook and other educational materials on the history of northern Québec from an Inuit perspective. The project is being jointly undertaken by Avataq Cultural Institute, Makivik and the Kativik School Board.

6.2 Responses Relating to Infrastructure Development and the Reduction of Living and Operating Costs

Implementation of the James Bay and Northern Québec Agreement

Since its inception in 1978, Makivik has been carrying out its varied responsibilities in regard to implementing the Agreement. Subject matters under the Agreement include the Inuit land regime; regional and local government; health; education; justice and police; environment; hunting, fishing and trapping and Inuit social and economic development. In light of the large number of implementation issues to be dealt with, D.I.A.N.D. established a Secretariat, in early 1984, after substantial discussions took place with Makivik. This Secretariat has proven to be almost totally ineffective so a more adequate implementation body will have to be negotiated.

Essential Services in Inuit Communities

After much discussion and negotiation, federal-provincial cost-sharing agreements have finally been concluded in regard to three essential services: airstrips, housing and schools. Makivik is currently monitoring these programs to ensure that these new agreements are implemented as intended.

Information/Communications

The Makivik Information/Communications Department is based in Kuujjuaq. Through Taqralik magazine and Tusaqvik radio programs, among other activities, its goal is to inform northern Québec Inuit on all major issues and events affecting the region on an ongoing basis.

Makivik has been successful in publishing the Taqralik magazine on a regular basis. The publication covers all major activities of Makivik and its subsidiaries as well as general interest events affecting northern Québec Inuit. Although Taqralik is only available through subscriptions to the general public, it is distributed free of charge upon request to all Inuit beneficiaries of the Agreement.

Alternate Energy and Energy Conservation
Project

In an effort to reduce the high cost of living and operating expenses, Makivik and the K.R.G. submitted a joint proposal to Energy, Mines and Resources Canada, in

April 1983, to obtain funding under the Remote Community Demonstration Program. The Makivik/K.R.D. proposal outlines a series of detailed energy planning activities in two pilot communities in northern Québec, which will establish a basis for energy planning in all Inuit communities in the region.

Kuujjuarapik Relocation to Umiujaq

After three years of negotiation, a relocation agreement was signed between Québec and Inuit parties to allow for the relocation of Inuit from Kuujjuarapik to Umiujaq, as provided under the Agreement (section 6.4). Throughout the negotiations, Makivik worked together with the Inuit affected and has provided substantial technical and financial resources to ensure that government commitments under the land claims agreement will be fulfilled. Negotiations with the federal government are continuing in regard to the construction of additional housing, public buildings and other facilities in Umiujaq.

6.3 Responses Relating to Economic and Social Programs

As presented in section V-5.3 above, chapter 29 of the James Bay and Northern Québec Agreement recognizes that virtually all aspects of economic activity in the territory north of the 55th parallel requires further government initiatives. The Agreement also contains mandatory obligations on the part of Canada and Québec to provide Inuit with financial and technical assistance.

Despite these commitments, little has been done by either level of government towards the fulfillment of their respective responsibilities.

Makivik has actively promoted Inuit concerns in this regard. It has made representations to:

- a) the Royal Commission on the Economic Union and Development Prospects for Canada;
- b) the Standing Committee on Indian Affairs and Northern Development;
- c) the Québec Parliamentary Commission, both in respect to the economic programs contemplated in Chapter 29 as well the employment and placement problems related to the construction industry;
- d) the Federal Department of Indian and Northern Affairs regarding the Eskimo Loan Fund, attempting to make the fund more responsive to the needs of Inuit of northern Québec;

Makivik's response to ensure adequate implementation of the Agreement and in particular the economic and social programs of Chapter 29 is necessarily an ongoing process. Our proposal to N.E.D.P., "An Action Plan Towards Economic Self-Reliance in Northern Québec" is a further example of Makivik's commitment in responding to the need for effective social and economic programs in the Québec territory north of the 55th parallel.

6.4 Makivik Responses Relating to Balanced
Economic Development

Makivik Subsidiaries

Since its inception, Makivik has established a number of subsidiary economic activities on a regional basis with the following goals: 1) job creation for Inuit; 2) high level of service, and 3) profitability. These subsidiary activities are the following:¹

Air Inuit Ltd. - a commercial air service based in Kuujjuaq, Québec and serving the northern communities on the Ungava and more recently the Hudson Bay coast. Moreover, the company services a route from Kuujjuaq to Nain, Labrador. The company hold licences to operate charters out of a base in Montreal. It also deals in the selling and leasing of aircraft.

Kigiak Builders Inc. - a construction company which bids exclusively on public and private contract work in northern Québec. Moreover, a division of this company operates the only fuel service in Kuujjuaq, Québec.

Sanak Maintenance Inc. - a recently established company doing the maintenance work for almost all of the public and some private institutions in northern Québec.

¹ Makivik has, in the past, operated a deep-sea shrimp fishing vessel through its subsidiary Imaqpiq Fisheries Inc. However, given the condition of the fishing industry and the difficulty in obtaining licences allowing year-round access to the fishing grounds, the company has discontinued operations.

Kigag Travel Agency Inc. - a company handling travel arrangements not only for Makivik and its subsidiaries, but most other major northern Québec Inuit organizations.

Regional Development Plan

Makivik, the K.R.D.C. and the K.R.G. are pooling their efforts in preparation of a Regional Development Plan.

A Regional Development Plan provides a major outlook towards ensuring orderly and planned development and use of their region's land and resources in a manner and pace consistent with rational land-use criteria and the goals and needs of inhabitants of the region.

Hudson Bay Oil and Gas Committee

In May 1982, the federal government established the Hudson Bay Oil and Gas Committee in accordance with section 5(b) of the Canada Oil and Gas Act. Makivik continues to be a member of the Committee, which is concerned with both environmental and economic issues related to oil and gas exploration and development in Hudson Bay.

Royal Commission on the Economic Union and Development Prospects for Canada

Makivik presented a comprehensive brief to the Royal Commission at its November 1983 hearings in Montreal. In July 1984, we submitted a second brief in response to the Commission's interim report "Challenges and Choices". Our submissions elaborated upon the need for a balanced approach to northern economic development.

Socio-economic needs of Inuit communities, the role of renewable resources in our northern economy, and the need to lower northern living costs and the cost of operating businesses in our region were also emphasized.

Makivik Training Department

Makivik formed a Training Department that has as its object to develop and put into place suitable training programs for the Corporation and its subsidiaries. The Department coordinates the supporting roles of the Employment and Immigration Commission (C.E.I.C.) and the Department of Indian Affairs and Northern Development (D.I.A.N.D.).

Training sessions have taken place in the following fields: wildlife and research techniques, fisheries, cartography, information and communications, secretarial skills (receptionist, clerk, typist), bookkeeping, translation, cargo handling and civilian air mechanics.

Makivik's Training Department acts, upon request, as a reference counsellor for people seeking training as pilots, syllabic typists, heavy equipment operators and first-aid instructors.

Makivik Research Department

The Research Department was established because it became apparent that in order to effectively implement the hunting, fishing and trapping regime of the James Bay and Northern Québec Agreement, a data base for

the northern Québec territory had to be developed. From the onset Makivik accepted the principle that, if some control was to be retained over wildlife, harvesting activities, economic development based on renewable resources and environmental protection, the Corporation would have to create and fund a core group to conduct research and in certain cases actually subsidize research programs. Experience had shown that left to government or industry to develop, data bases become problematic.

All research conducted by the Department is oriented towards developing a regional data base for northern Québec or to address specific resource management problems. In developing a data base, the first priority has always been to provide information which will lead to the proper use and management of wildlife, in other words the management and protection of the subsistence economy of Inuit. This acquisition of food from the land continues to be a vital component of the Inuit economy and is one that Inuit wish to maintain into the future. The second priority is to provide information necessary to take decisions on the commercial development or exploitation of wildlife resources and their by-products without jeopardizing the subsistence economy. To this end, the Research Department has successfully conducted a number of research projects.

Some of the major research outputs are:

- Research to Establish Present Levels of Native Harvesting: 1973-80
- Land-Use and Ecological Mapping
- Biological Studies of Arctic Char, Salmon, Beluga Whales

- Inshore Cod Fishery Study at Killiniq
- Eider Duck Management Study
- Caribou Commercialization Reports.

The Landholding Corporations

Makivik has, since 1979, funded the Landholding Corporations. Following consultation with representatives of each of the Landholding Corporations, it was resolved that a total allocation of \$ 5 million dollars would be made to the Landholding Corporations over a 5 year period. Of this \$ 1 million annual allocation \$ 500,000. was to be divided equally among the 15 Landholding Corporations and the remaining \$ 500,000. would be divided based on the percentage of each Landholding Corporation's membership to the total membership. As Povungnituk and Ivujivik did not agree to establish their Landholding Corporations, the funds otherwise to be allocated to them were either redistributed among the other Landholding Corporations or used by Makivik to hold training sessions and general meetings for the Landholding Corporations.

The money so allocated could be used by the Landholding Corporations as they deemed fit with the proviso that, in accordance with the Charter of Makivik, the said money in its entirety would be used for community purposes only.

The allocations, made to date by Makivik, have been used by the Landholding Corporations to cover minimal administrative costs and, in some very limited instances, to finance viable local businesses.

However, due to the lack of proper economic animation, advisory services, and adequate training, it has been difficult for the Landholding Corporations to carry out all their land-use and administrative functions, and at the same time promote effective economic development initiatives in the communities.

Makivik is presently attempting to obtain CORE funding, or its equivalent, in order to cover the administrative costs of the Landholding Corporations.

Makivik Community and Economic Development
Department

Since its inception, the Community and Economic Development Department has emphasized the updating of accounting records of all Landholding Corporations, including tax filings. Assistance in the areas of leases and other general administration is also an important objective of the department.

In 1984, the Department decided to develop a more coordinated and comprehensive economic development approach which would be community-based. This approach would focus on the creation of community business initiatives and support services to generate feasible economic activities and businesses.

This community-based approach would complement the range of regional-level economic development activities which have already been started and which require our continued involvement.

6.5 Key Elements of the Makivik Response to the
Development of Northern Québec

Makivik's responses to the issues of development in northern Québec reflect its legal mandate and its responsibility to northern Québec Inuit. The main characteristics of Makivik's role in this development process can be summarized as follows:

1. Makivik is a multi-purpose development Corporation. In addition to the responsibilities of investing the compensation funds, Makivik has the mandate to promote the welfare of Inuit. This comprehensive mandate involves a wide set of responsibilities and associated costs, covering political, economic, social and cultural matters.
2. Makivik must carry out its responsibilities in a manner which is fair and equitable to the 15 communities whose interests it represents.
3. Makivik's major response to the development needs of northern Québec has been concentrated primarily on the development of infrastructure such as housing, schools, community services, transportation. It has also been possible to set up some subsidiaries to develop private sector services in some of these areas. These business subsidiaries and the further negotiation of accelerated infrastructure development programs continue to demand substantial human and financial resources from Makivik.

4. There is a glaring need to bring the economic development process to the level of the individual communities. The lack of economic opportunity, business skills development, and related employment in the communities produces a structural imbalance in the overall regional development process.

5. The implementation of a community-based economic development approach involves more than capital-infusion for business investments. Our experience with the Landholding Corporations has revealed that merely providing some investment capital without linking it to community economic planning, opportunity analysis and development of business skills, is an ineffective way of promoting community economic development.

VII. A COMMUNITY-BASED ECONOMIC DEVELOPMENT INITIATIVE
FOR NORTHERN QUEBEC

Makivik perceives a definite and urgent need to implement an economic development program in the 15 communities of northern Québec. Our constituents have clearly expressed the need for such a program. Consequently, we propose to respond with a community-based economic development initiative which has two main components:

1. BUSINESS DEVELOPMENT
2. DEVELOPMENT TRUST FUND

7.1 Business Development

The overall objective of the business development component is to provide each community with appropriate animation, advisory services and business-skills development in order to survey opportunities and analyze their feasibility; in other words, to take an idea and attempt to bring it to the level of a worthwhile business investment.

We propose to achieve this business development through the following specific activities:

7.1.1 Community Economic Workshops:

Objective: to animate the community in the basic steps of community economic development planning.

- Task:
1. hire a consultant¹ to design a workshop in community economic development planning;²
 2. provide the workshop in 15 communities.

Anticipated and measurable results:

1. development of planning skills in the community, (e.g.) in community managers, and in potential business entrepreneurs;
2. survey and identification of business opportunities and economic development potential;
3. generation of attitudes and processes of self-help and economic self-determination.

7.1.2 Community Economic Development Coordination:

Objective: to provide a means for better coordination of economic development activities in each community.

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- 1 The consultant will be asked to review existing workshop models, eg. School of Native Studies, University of Lethbridge, Alberta, Department of Indian and Northern Affairs.
 - 2 Subsequent workshops will be developed and implemented through 7.1:4 Business and Management Training, see page 54.

Task:

1. hire an economic development coordinator in each community who would serve as a facilitator on the community-level;
2. through such coordinators, develop and implement an effective system of information and communication between the communities and Makivik.

Anticipated and measurable results:

1. development of coordinators who will benefit from on-the-job training given by advisory staff and program professionals;
2. creation of an animation process and information system in each community.

7.1.3 Opportunity Analysis and Proposal Development:

Objective: to provide advisory services to analyze the opportunities generated by community participants as a result of the community workshop(s). Possible business opportunities foreseen prior to the workshops but lacking sufficient feasibility analysis to warrant present funding will also be admissible for proper feasibility analysis.¹ Also, to take suitably analyzed opportunities and to develop them into appropriate proposals for either specialized feasibility studies and/or financing.

¹ In this regard, see Research Department outputs on page 45 as possible projects of this nature.

Task:

1. hire a program officer to do opportunity analysis (pre-feasibility and in some cases feasibility) on business possibilities generated by the community workshops;
2. hire a program officer to write funding proposals for business possibilities which receive a favourable opportunity analysis;
3. develop a timetable of community consultation through the economic development coordinator in order to analyze opportunities generated by the workshops;
4. prepare funding proposals for analyzed economic and business opportunities which are deemed viable.

Anticipated and measurable results:

1. advisory services to analyze opportunities generated by the community economic planning workshop and process;
2. professional expertise to guide the community economic development process, including advice and information transfer to the community through the economic development coordinator;
3. pre-feasibility studies on identified opportunities;
4. selected feasibility studies on identified opportunities;
5. development of proposals suitable to various funding sources, both internal to Makivik, and external (public and private).

7.1.4 Business and Management Training:

Objective: to provide appropriate training to community economic development coordinators and business entrepreneurs so that they may develop required business and managerial skills.

Task:

1. hire a consultant to design an appropriate business and management training program suited to the needs of community-based economic development in northern Québec.
2. develop a funding strategy, and obtain the funds required to implement such a training program. It is understood that NEDP funds would be used only for the design of an appropriate system and the development of a funding strategy. The funds to implement this business and management training will then be sought from a suitable government agency. We believe that a well-designed program and proper funding proposal, presented in the context of an NEDP-financed community-based economic development initiative, would ensure the funding of this aspect of our business development component. Under the auspices of Kativik School Board the "Management Training Institute" has been established. Its primary responsibility is the training of business and managerial skills to adults in the northern communities. The Community and Economic Development Department of Makivik is playing an integral part in its formation to ensure effective training of its officers. The Management Training Institute has received

funding from DIAND for its 1984/85 operations and a submission is presently before the Treasury Board for funding of 1985/86 activities (this submission has received positive recommendations from DIAND).

Anticipated and measurable results:

1. production of a design study for a business and management training program appropriate to community-based economic development;
2. development of a funding strategy for obtaining non-NEDP financing to implement this training program;
3. development of community-oriented business, managerial expertise and abilities which encourage economic self-determination;
4. improvement of productivity in targeted community business and economic ventures.

7.1.5 Coordination and Increased Access to Public and Private Sector Resources:

Objective: to optimize the network of public and private sector resources which can be utilized to promote community-based economic development in northern Québec.

Task:

1. hire a commercial officer to survey, negotiate and coordinate access to public and private sector resources, both financial and human.

Anticipated and measurable results:

1. on-going update on public and private sector environment as to policy directions and available opportunities which could promote our community-based economic development initiative;
2. advice and information to community economic development coordinators on programs and special opportunities which could be useful to their communities;
3. guidance to proposal developers as to appropriate funding targets;
4. negotiation with public or private sector parties relating to funding proposals and/or business ventures.

7.2 Development Trust Fund

Business investment is the second main component of our community-based development initiative. In order to complement business development activities in the communities, it is essential that start-up capital be made available for those business ventures that are developed by the process.

The overall objective of the business investment component is to provide seed capital loan and grants to projects generated through the business development component.

As already indicated, community-based projects are handicapped by a lack of sufficient local capital, high start-up costs and high operating costs. Community entrepreneurs face the serious problem of generating sufficient revenue to cover on-going operating costs as well as provide an acceptable rate of return on the required start-up investment.

Seed capital grants and loans will provide funds to finance the start-up costs of an otherwise viable commercial venture. These initial seed capital grants and loans would permit community proponents, Makivik (through its venture capital funds) and/or financial institutions to invest in such projects and earn the required fair rate of return based on acceptable risk. We also intend to model our conditions, criteria and procedures for seed capital grants and loans on those that have been developed by the N.E.D.P.

7.2.1 Required Amounts for Start-up Capital Financing

An ongoing sum of \$ 1,000,000. per year will be provided for the seed capital financing of suitable businesses and commercial operations in the 15 Inuit communities of northern Québec. This average of approximately \$ 66,000. available per community is, in our opinion, a rigorous minimum in order to support some carefully-selected community-based economic ventures.

The business investment fund (discussed in detail below in section 9.2) will be established within six months of the start-up of the business development component. This would ensure the availability of seed capital grants for early projects where the feasibility studies could likely be completed in a short time period.

7.2.2 Eligibility for Grants and Loans

Any Inuit association, partnership, cooperative or corporate body that is community-based and composed in majority by Inuit shall be eligible to apply to the Fund.

7.2.3 Conditions and Criteria for Grants and Loans

Conditions:

Seed capital grants and loans will be made where:

- a) the business activity is community-based;
- b) the business activity is the result of the community animation, opportunity analysis and proposal development process of our business development phase;
- c) the project would not be undertaken without financial assistance;
- d) the project would benefit many as compared to a few;

- e) the project would have the potential to become commercially viable;
- f) the project would allow equal access to male and female proponents;
- g) the individual proponents (including partners and shareholders) would have to indicate their commitment to the project by either their financial participation (risk capital as compared to loans) or in sweat equity (deferred salaries or benefits).

Criteria

In order to determine the amount of any seed capital grant or loan, proposals will be assessed considering the following:

- a) the objectives and anticipated benefits;
- b) management capacity and expertise of the proponents;
- c) the potential for business success;
- d) the accounting procedures and practices;
- e) the amount of support for the project in the community;

f) a business plan including:

- i) the objectives of the project;
- ii) the proposed activities and expected and measurable results;
- iii) a time-phased and costed work plan;
- iv) identification of market; and

g) the degree of investment in the project from other sources, including proponent equity (risk or sweat equity).

7.2.4 Shared Responsibility for Seed Capital Grants and Loans

The making of seed capital grants and loans shall be the responsibility of the Community and Economic Development Department headed by the Third Vice-President. The Community and Economic Development Department will undertake to develop the required application procedures for:

- 1. investigation;
- 2. summary and recommendations;
- 3. approval;
- 4. acceptance or rejection;
- 5. disbursements;
- 6. reporting on and monitoring of use.

The administrative costs in carrying out the above functions shall be absorbed by Makivik Corporation by utilizing its resource personnel, including accounting and legal. In order to avoid unnecessary duplication, we

foresee that our resource people would be able to establish such procedures in consultation with the Secretariat of the N.E.D.P.

Investment decisions for seed capital grants and loans shall be made by an Advisory Board composed of one representative from each of Makivik, the F.C.N.Q., the K.R.D.C. ~~and the N.E.D.P.~~ Investment decisions will be made taking the following into account:

1. the existing level of economic activity in the area, in order that all northern Québec communities benefit as much as possible from the Fund;
2. wealth creation as compared to service-orientation in order that a foundation be laid for further economic activity;
3. job creation among age groups and between the sexes.

In order to measure the commitment of people who are the proponents of a project when sweat equity is involved, comparisons would be made with salary levels for similar type work being performed in the community.

All seed capital funding would be made pursuant to a Contribution Agreement, which would provide the following:

- a. an identification of the parties to the Contribution Agreement;
- b. the purpose of the contribution;
- c. effective date;
- d. a list of conditions attached to the contribution;
- e. financial responsibilities of Makivik and the proponent;
- f. allowable expenditures;
- g. financial limitations;
- h. method of payment (advance payments, progress payments, etc.);
- i. a provision indicating that the proponent does not assign the Contribution Agreement unless previously authorized by Makivik;
- j. provision for audit and financial record keeping;
- k. circumstances for breach of contract;
- l. provision for recovery of monies in the event of breach;
- m. evidence that facility and equipment are insured to the satisfaction of Makivik.

No assets in respect of which a contribution has been made shall be sold or otherwise disposed of or shall cease to be used for purposes authorized prior to 12 months after the expiry or termination of the Contribution Agreement except in ordinary course of business without prior written consent of Makivik.

VIII. BUDGET AND WORK PLAN

The following presents the Budget for the Business Development component over a 4-year period. This budget reflects the required financing that, added to our contribution in resources, will enable us to carry out of the Business Development component.

8.1 Makivik Contributions

In addition to the capital contribution to the Development Trust Fund, Makivik is assuming the cost of various aspects of the overall program.

The Business Development Component:

Makivik will cover the following costs:

	1st year	2nd year	3rd year	4th year
Program Manager-salary	40,000.	45,000.	50,000.	55,000.
-travel	15,000.	20,000.	22,000.	25,000.
Secretary -salary	18,000.	20,000.	22,000.	24,000.
Administrative costs	<u>20,000.</u>	<u>22,000.</u>	<u>24,000.</u>	<u>26,000.</u>
Total	93,000.	107,000.	118,000.	130,000.

Over the four-year period, Makivik Corporation will be contributing a total of \$ 448,000. into this segment of the program.

The Business Investment Component:

Makivik will incur and cover the following costs:

- Third Vice-President - Participation in
Advisory Committee
- Director of Finance - Investment of Trust Fund
- Legal Counsel - Advice on legal matters,
procedures and
Contribution Agreements
- Chief Accountant - Control of expenditures
- Facilities - Meetings and
communications.

Although the above costs will be absorbed by Makivik Corporation insofar as these positions already exist, the additional work load will have to be absorbed by its personnel. This portion may be compared to "sweat equity" in other proposals. It has been established that these functions alone would represent a total contribution per annum of \$ 95,000. or \$ 458,000. for the four-year period.

8.2 BUDGET: Business Development Component
(Years 1, 2, 3, 4)

BUDGET: YEAR ONE

1. <u>Community Economic Development Workshops</u>	<u>\$</u>
Task 1: Hire Consultant - 5 months	\$ 20,000
Task 2: Give Workshops (13 communities)	
<u>Per Workshop:</u>	
Workshop Facilitator	2,000.
Travel	1,200.
Lodging and expenses	500.
Equipment and materials	<u>300.</u>
	4,000.(13) <u>52,000</u>
Total - Task 1 & 2:	\$ <u>72,000</u>

2. Community Economic Development Coordinator

Task 1: *Hire Coordinators (13)		
\$ 18,000. x 13 (Staggered Hiring)		\$117,000.
Task 2: Develop and implement information transfer system		
\$ 3,000 x 13		<u>39,000.</u>

Total - Task 1 & 2: 156,000.

3. Opportunity Analysis and Proposal Development

Task 1: Hire Opportunity Analyst (1)			
Salary @ \$ 35,000.	17,520.		
Travel and expenses	<u>5,350.</u>		
			\$ 22,870.

Task 2: Hire Proposal Developer			
Salary @ \$ 35,000.	26,280.		
Travel and expenses	<u>3,210.</u>		
			<u>29,490.</u>

Total - Task 1 & 2: \$ 52,360.

* The community coordinator's annual salary has been identified at \$ 18,000. We foresee this position to occupy 50% of the individual's worktime. The second half would be employed either with the municipal council, the Landholding Corporations or with one of Makivik's subsidiaries working in the Community.

4. Community Business and Management Training

Task 1: Hire Consultant	\$ 40,000.
Purchase of audio-visual equipment	42,000.
Task 2: Develop funding strategy and obtain funding	<u>10,000.</u>
Total - Task 1 & 2:	<u>\$ 92,000.</u>

5. Coordination and Increased Access

Task 1: Hire Commercial Officer	
Salary	40,000.
Travel and expenses	<u>10,000.</u>
	<u>\$ 50,000.</u>

BUSINESS DEVELOPMENT: YEAR 1

1.	\$ 72,000.
2.	156,000.
3.	52,360.
4.	92,000.
5.	<u>50,000.</u>
GRAND TOTAL	<u>\$ 422,360.</u>

BUDGET: YEAR TWO

1.	<u>Community Economic Development Workshops</u>		\$
	Workshops completed in first year.		NIL
2.	<u>Community Economic Development Coordinator</u>		
	(14)x Coordinator salaries @ 19,500.	273,000.	
	(14)x information transfer @ 3,000.	<u>42,000.</u>	
	It is estimated that a fourteenth community (Umuijaq) will by then be established in northern Québec.		
			<u>\$ 315,000.</u>
3.	<u>Opportunity Analysis and Proposal Development</u>		
	Opportunity Analysts (2) *		
	Salaries @ 37,800	75,600.	
	Travel and expenses @ 6,000.	12,000.	
	Proposal Developers (2) *		
	Salaries @ 37,800	75,600.	
	Travel and expenses @ 6,000.	<u>12,000.</u>	
	* The second of each position of Opportunity Analyst and Proposal Developers will be reserved for Inuit staffing		
			<u>\$ 175,200.</u>
4.	<u>Community Business and Management Training</u>		
	Funded through other sources		\$
5.	<u>Coordination and Increased Access</u>		
	Salary	44,000.	
	Travel and expenses	<u>14,000.</u>	
			<u>\$ 58,000.</u>

BUSINESS DEVELOPMENT: YEAR 2

1.	\$	NIL
2.		315,000.
3.		175,200.
4.		NIL
5.		<u>58,000.</u>
GRAND TOTAL	\$	<u>548,200.</u>

BUDGET: YEAR THREE

	<u>\$</u>
1. <u>Community Economic Development Workshops</u> (possibility of additional workshops designed and implemented through item # 4 below)	NIL
2. <u>Community Economic Development Coordinator</u> 15 community Coordinators-salary @ 322,500. information transfer @ 4,000.	 \$ 382,500.
3. <u>Opportunity Analysis and Proposal Development</u> Salaries increased by 10% over previous year (2) Opportunity Analysts @ 83,160. (2) Proposal Developers @ 83,160. Travel expenses @ 24,000.	 190,320.
4. <u>Community Business and Management Training</u> (funded from other sources)	 NIL
5. <u>Coordination and Increased Access</u> Salary 48,400. Travel and expenses 14,000.	 \$ 62,400.

BUSINESS DEVELOPMENT: YEAR 3

1.	NIL
2.	382,500.
3.	190,320.
4.	NIL
5.	<u>62,400.</u>
GRAND TOTAL	<u>\$ 635,220.</u>

BUDGET: YEAR FOUR

- | | | |
|----|--|------------------|
| 1. | <u>Community Economic Development Workshops</u>
(possibility of additional workshops designed and implemented through item # 4 below) | \$
<u>NIL</u> |
| 2. | <u>Community Economic Development Coordinator</u>

15 community Coordinators
-salary* @ 23,500. - 354,750.
Information transfer @ 4,000. - 60,000. | \$ 414,750. |
| | * Salaries increased by 10% over previous year. | |
| 3. | <u>Opportunity Analysis and Proposal Development</u>

Salaries increased by 8% over previous year
(2) Opportunity Analysts @ 44,900. - 89,800.
(2) Proposal Developers @ 44,900. - 89,800.
Travel expenses @ 6,000. - 24,000. | 203,600. |
| 4. | <u>Community Business and Management Training</u>

(funded from other sources) | NIL |
| 5. | <u>Coordination and Increased Access</u>

Salary @ 53,200.
Travel @ 15,000. | \$ 68,200. |

BUSINESS DEVELOPMENT: YEAR 4

1.	NIL	
2.	414,750.	
3.	203,600.	
4.	NIL	
5.	68,200.	
GRAND TOTAL	\$ 686,550.	

8.3 BUDGET: YEAR 1, Monthly Expense Statement.

Expenses:	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	TOTAL.
1. Community Economic Development Workshops													
a) Hire Consultant		4,000	4,000	4,000	8,000		16,000	12,000	12,000			12,000	20,000 (a) 52,000 (b)
b) Community Workshops				2		4	8	10	13				
2. Community Economic Development Co-ordinator													
a) Hire Co-ordinators (13)				3,000	3,000	6,000	12,000	15,000	19,500	19,500	19,500	19,500	117,000 ¹ 39,000
b) Inf. Transfer System (13)				6,000		6,000	12,000	6,000	9,000				
3. Opportunity Analysis and Development													
a) Hire Opportunity Analysts													
(i) Salary							2,920	2,920	2,920	2,920	2,920	2,920	17,520
(ii) Travel & Exp.								1,070	2,140				2,140
b) Hire Proposal Developer													
(i) Salary				2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	26,280
(ii) Travel & Exp.									1,070	1,070	1,070		3,210
4. Community Business Management Training													
a) Hire Consultant													
b) Develop. Funding Strategy													
c) Purchase - Audio Visual Equip.													
5. Co-ordinator and Increased Access													
(i) Hire Commercial Officer: Salary													
(ii) Travel													
TOTAL.	8,333	28,687	14,477	28,253	22,253	27,253	66,317	54,243	63,027	31,887	29,743	47,887	422,360

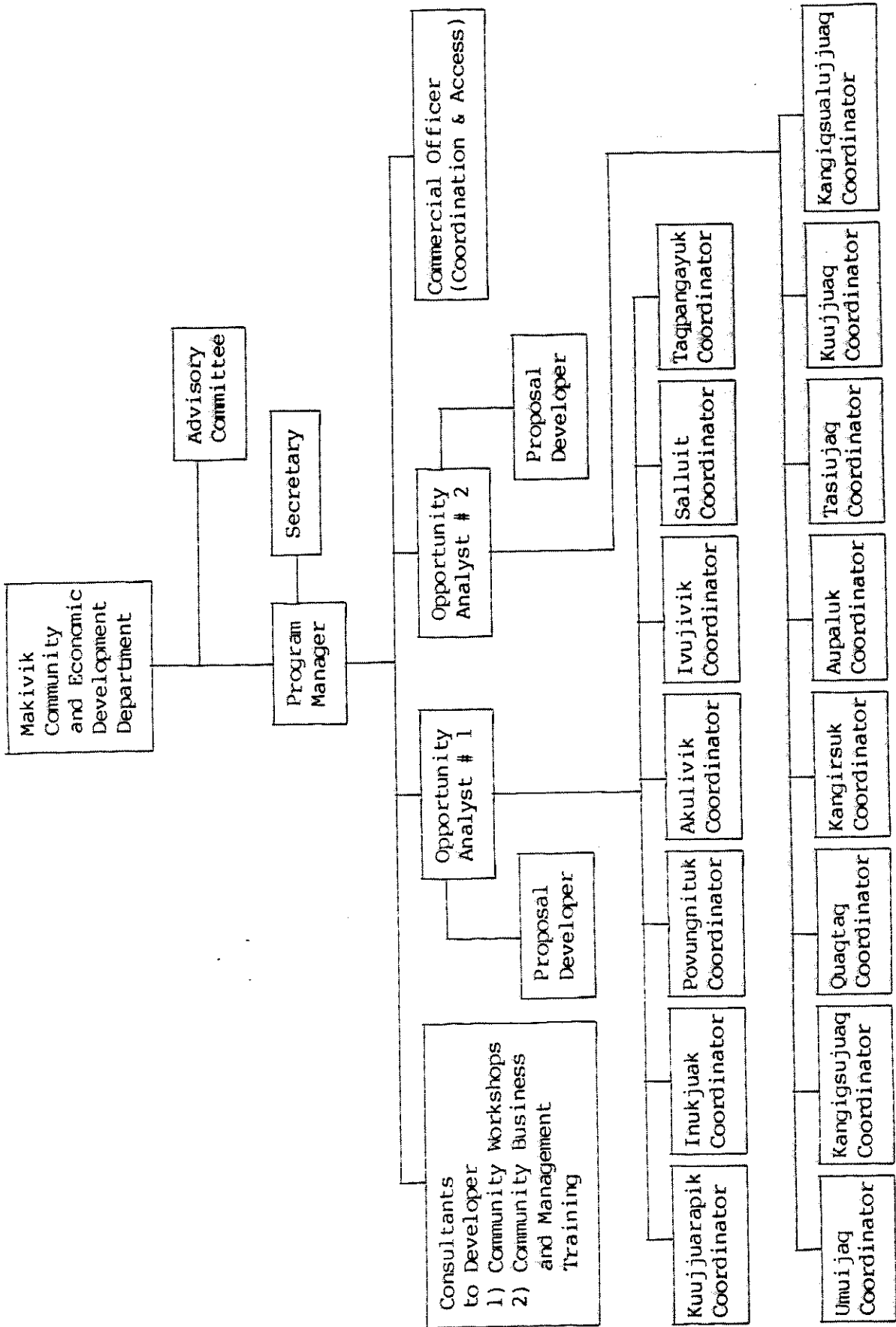
COMMENTS:

- (a) 1st month for Tender, 4 months for study and Workshop design, 1 month Co-ordination.
- (b) All Workshops are done in the 1st year.
- (c) Average Trip \$ 1,070. for 3 days.

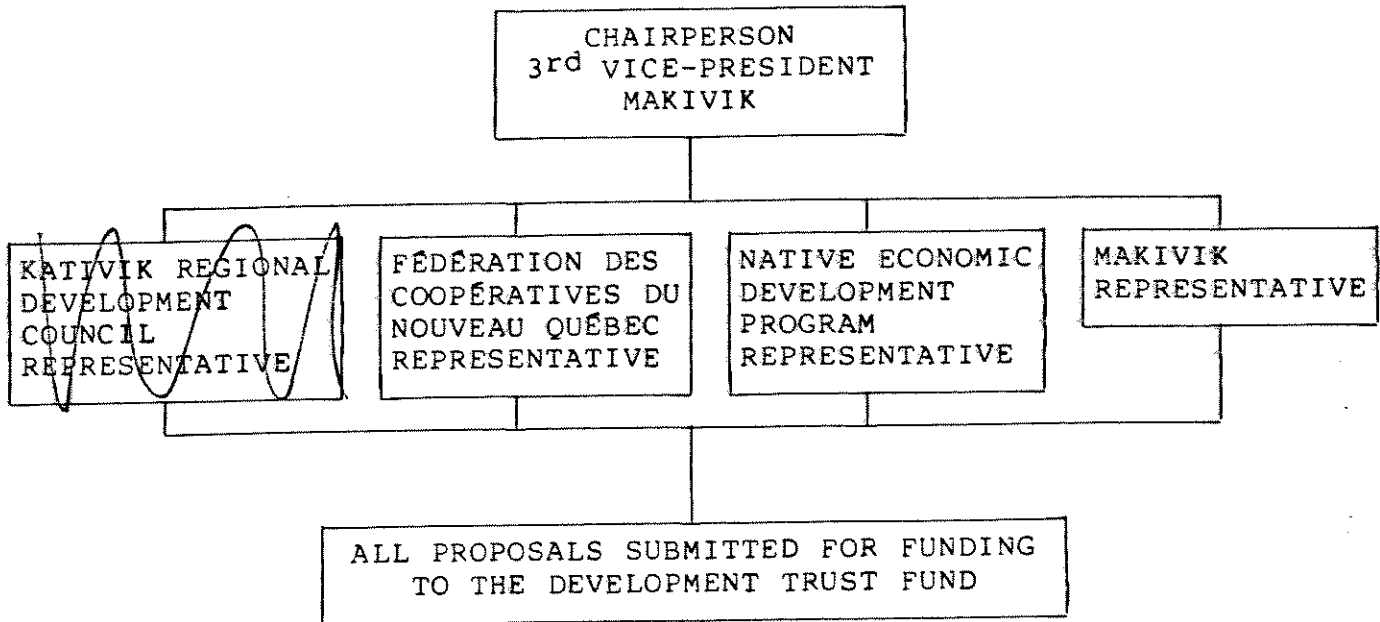
8.4 Time-phased Work Plan

BUSINESS DEVELOPMENT	YEAR 1												YEAR 2												YEAR 3												YEAR 4												YEAR 5																																			
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12																								
1. Community Workshops	TASK 1. Hire Consultant and Design Workshops												TASK 2. Give Workshops												Possibility of additional workshops designed and implemented through #4 Community Business & Management Training												Same as Year 3												Same as Year 3												Possibility of continuation as per Year 3																							
2. Community Coordinators	TASK 1. Hire Community Coordinators												TASK 2. Develop and Implement an Information Transfer System												On-going coordination; Information transfer training												Same as Year 3												Same as Year 3												Positions evaluated for alternative funding																							
3. Opportunity Analysis & Proposal Development	TASK 1. Hire Opportunity Analyst #1												On-going work Opportunity Analyst #1												On-going work (2 persons)												On-going work (2 persons)												On-going work (2 persons)												Positions terminated or funded otherwise																							
4. Community Business Management Training	TASK 1. Hire Consultant to design Business Training Program												TASK 2. Hire Proposal Developer #1												TASK 3. Develop Consultation Timetable												On-going development and operation												Same as Year 3												Same as Year 3												Continuing											
5. Coordination & Increased Access	TASK 1. Hire Coordinator/Facilitator												On-going work												On-going work												On-going work												Same as Year 3												Same as Year 3												Position evaluated for continued Nativik funding											

8.5 PROJECT MANAGEMENT ORGANIZATIONAL CHART



ADVISORY BOARD OF DEVELOPMENT FUND



Note: Final authority for approving applications to the Development Fund is shared as shown above. Where a unanimous position is not possible, the decision will be made through a majority vote procedure.

IX. NEDP FUNDING REQUEST

As our community-based economic development approach comprises both a business development and business investment component, Makivik is proposing a two-part N.E.D.P. contribution to implement this program.

9.1 Business Development Contribution

We request a 4-year funding of the business development component:

YEAR 1	YEAR 2	YEAR 3	YEAR 4
422,360.	548,200.	635,220.	686,550.
4 YEAR TOTAL			
2,292,330.			

Such funding would be made by way of a 4-year Contribution Agreement, the terms and conditions of which would include, among other things, the following:

- (a) that the contribution funds would only be used in accordance with the business development component pursuant to its budget and work plan;
- (b) that each year's funding would be conditional on Makivik reporting and accounting for its use of the funds in accordance with the business development component for the previous year;
- (c) provision for audit by the federal government, if it so desires.

Makivik, in conjunction with the K.R.G., ^{and} the N.V.C.s ~~and the K.R.D.~~, would negotiate funding with the Québec government for those positions that are deemed necessary for the operation and continuation of an appropriate community-based business development process. In light of an expanded role being assumed by our local and regional entities in the future, and based on the obligations of Chapter 29 of the James Bay and Northern Québec Agreement, such necessary funding should be forthcoming within the next few years.

In any case, Makivik would, due to its expanded capital base by 1989, likely be in a position to support those positions that are deemed necessary to continue an appropriate community-based business development process.

BUSINESS DEVELOPMENT COMPONENT

FUNDING REQUIRED	MAKIVIK CONTRIBUTION *			NEDP CONTRIBUTION
	Sweat Equity	Capital	Total	Capital
YEAR 1 610,360.	95,000.	93,000.	188,000. 30.8%	422,360. 69.2%
YEAR 2 764,200.	109,000.	107,000.	216,000. 28.3%	548,200. 71.7%
YEAR 3 873,220.	120,000.	118,000.	238,000. 27.3%	635,220. 72.7%
YEAR 4 950,550.	134,000.	130,000.	264,000. 27.8%	686,550. 72.2%
TOTAL 3,198,330.			906,000. 28.3%	2,292,330. 71.7%

* Note: Makivik's contribution, as specified in this chart, relates only to those amounts contributed for purposes of the Business Development component. It does not include other contributions by Makivik towards the formulation of a comprehensive economic development strategy for northern Québec (see Introduction). In particular, it does not include Makivik's contribution to the Business Investment component (see section 9.2 below).

BUDGET: BUSINESS DEVELOPMENT COMPONENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1. Community Economic Development workshops	72,000	nil	nil	nil	nil
2. Community Economic Development Coordinators	156,000	315,000	382,500	414,750	evaluated for alternative funding
3. Opportunity Analysis and Proposed Development	52,360	175,200	190,320	203,600	evaluated for alternative funding
4. Community Business and Management Training	92,000	funded elsewhere	funded elsewhere	funded elsewhere	funded elsewhere
5. Coordination and Increased Access	50,000	58,000	62,400	68,200	evaluated for alternative funding
	422,360	548,200	635,220	686,550	

DIRECT COMMUNITY IMPACT OF BUSINESS DEVELOPMENT COMPONENT

Year	Total Contribution	Amount for Salaries of Inuit Positions in Communities	%	No. of Jobs *
I	\$ 422,360.	\$ 117,000.	27.7%	13
II	\$ 548,200.	\$ 348,600.	63.6%	16
III	\$ 635,220.	\$ 405,660.	63.9%	17
IV	\$ 686,550.	\$ 444,550.	64.8%	17
TOTAL	\$2,292,330.	\$1,315,810.	57.4%	

* Note: This does not include the additional jobs which will be generated by the new economic or business activities developed in Inuit communities over the same 4-year period.

9.2 Development Trust Fund

We request that \$ 8,000,000.00 be allocated to Makivik to be dedicated to a Development Trust Fund.

This fund will be invested and managed by Makivik as a distinct trust fund in conformity with the Corporation's existing Schedule of Investments (see Annex IV).

The investment parameters established by the Corporation's Investment Review Committee within the guidelines set forth in the Schedule of Investments would be used to monitor investment decisions. The internal control procedures for safeguarding the investments of the fund, both in the money market and in stocks and bonds are fully outlined in the documents entitled Internal Control Procedures - Investments in Bonds and Stocks and Investment in Money Market Instruments (see Annex VII).

The revenues derived from the Development Trust Fund will be used for seed capital grants and loans as outlined in the Business Investment Component (section 6.2). To the amount of annual revenue derived from the fund, which we estimate conservatively to be at least \$ 800,000.00, Makivik undertakes to add \$ 200,000.00 per year. This will result in a perpetual sum of approximately \$ 1,000,000.00 per year being available for seed capital grants.

All administrative costs connected with the management of the fund will be borne by Makivik. This will guarantee that there is no diminution of the amount available for community-based economic activity.

As described in section 7.2.4, the allocation of seed capital grants and loans shall be made by Makivik in consultation with the Advisory Board, with the criteria, conditions and procedures therein outlined.

We would propose to the N.E.D.P. that the establishment of the Development Trust Fund be made by way of a lump-sum Contribution Agreement in the amount of \$ 8,000,000.00, the terms and conditions of which would include, among other things, the following:

- (a) that the \$8. million would be invested in accordance with the Schedule of Investments of Makivik;
- (b) that the revenues derived from the Development Trust Fund would be used exclusively in accordance with the Business Investment component, that is seed capital grants and loans for community-based economic ventures, and in accordance with the criteria, conditions and procedures established pursuant to section 7.2.3;
- (c) that monies not used in any year would be added to the Development Trust Fund to be used in subsequent years;
- (d) that Makivik manage the fund as a prudent administrator with a view to securing the capital base in the amount of at least

\$ 8. million but taking into account diminutions of capital caused by fluctuations in the financial markets.

- (e) that the investments made pursuant to the Development Trust Fund would be exempt from seizure save in respect of debts and obligations relating to such investments and not to be used as real security.

In the future, if the total amount for seed-capital grants and loans is no longer required to promote viable economic activities, the revenues of the Trust Fund could then be used in the following ways:

1. Scholarships and Specialized Training

Assistance may be made available for establishing and funding scholarships or specialized training programs aimed at increasing business, technical and applied scientific expertise in the northern communities.

2. Product and Process Innovation

The Program may assist the development or demonstration of scientifically or technically feasible new products or production processes which offer a good potential for commercial exploitation by Inuit.

3. Marketing

Activities aimed at increasing the marketing of Inuit products or services may be assisted under the Fund, including:

- i) the publication and dissemination of catalogues or other literature;
- ii) market research and analysis;
- iii) advertising;
- iv) trade shows, seminars or other similar events.

4. Special Studies

The Fund may contribute to studies on Inuit economic issues where such study will have significant or direct benefits for Inuit economic development.

DEVELOPMENT TRUST FUND

	FUNDING AVAILABLE	MAKIVIK CONTRIBUTION *		PROPOSED N.E.D.P. CONTRIBUTION TO TRUST FUND	
YEAR 1	1,000,000.	200,000.	20%	800,000.	80%
YEAR 2	1,000,000.	200,000.	20%	800,000.	80%
YEAR 3	1,000,000.	200,000.	20%	800,000.	80%
YEAR 4	1,000,000.	200,000.	20%	800,000.	80%
TOTAL	4,000,000.	800,000.	20%	3,200,000.	80%

* Note: Makivik's contribution to the Business Investment component is not limited to the Development Trust Fund. It also includes administrative and legal costs associated with processing funding applications from Inuit communities and with managing the Development Trust Fund.

CLOSING REMARKS

As we have shown, our proposed "Action Plan Towards Economic Self-Reliance in Northern Québec" is comprised of two parts:

A: <u>A Business Development Component</u> which requires a contribution from N.E.D.P. of \$ 2,292,330. over a four year period, and	Applicable through <u>Element II</u> of the N.E.D.P. criteria
B: <u>A Development Trust Fund Component</u> which requires a transfer of \$ 8,000,000. from N.E.D.P. to Makivik during the first year of activity. This capital amount will remain intact. Only the interest derived fro its investment will be used.	Applicable through <u>Element I</u> of the N.E.D.P. criteria

A: BUSINESS DEVELOPMENT COMPONENT:

This component of our proposal meets both conditions of Element II of the Native Economic Development Program.

- 1) We have shown how the whole of the support structure will be based in the Inuit communities of northern Québec, from the Economic Development Coordinating Committees in each community, to the hiring of Economic Development Coordinators in each community. Through specialized training provided to the latter through Makivik and the Management Training Institute they will be able to assist in the identification and development of

commercial projects within their communities. This process will provide an in-depth knowledge and understanding of the short- and long-term objectives of Economic Development from the Community perspective.

- 2) It is clear that at present the Inuit communities are unable to take advantage of the services offered by the Native Economic Development Program and/or federal and provincial government programs.

We believe that we have shown that this proposal meets all the Eligible Activities identified under Element II except for item (J) "establishing, organizing, expanding and modernizing a commercial operation".

Eligible Activities of Element II:

- A. economic development planning including the cost of hiring a consultant;
- B. the development of business and management capability;
- C. opportunity analysis;
- D. coordinating and increasing access to other available governmental and non-governmental resources;
- E. proposal development;
- F. meetings and travel directly related to specific economic development activities;
- G. technical and advisory services;
- H. communications;
- I. community animation;

BUSINESS DEVELOPMENT COMPONENT

Cross-reference of Business Development Component
to the Eligible Activities of Element II

Proposal Elements:	Eligible Activities of Element II (see previous page for description)	Total
1. Community Economic Development Workshops	A + H + I	72,000.
2. Community Economic Development Coordinators	C + G + H	1,268,250.
3. Opportunity Analysis and Proposal Develop- ment	C + E + F + G + H	621,480.
4. Community Business and Management Training	B + I	92,000.
5. Coordination and Increased Access	D + F + H	238,600.
Business Development Component	Element II of Program	2,292,330.

BUSINESS DEVELOPMENT COMPONENT

We believe that our Business Development Component has as well responded to all of the "criteria" identified for Element II:

CRITERIA	BUSINESS DEVELOPMENT COMPONENT
° the learning potential and policy relevance of the proposed project in terms of future government support to Native economic development;	° Address itself in an Action Plan towards self-reliance and self-government. It places emphasis on training and direction from the communities rather than from outside governments and agencies.
° the degree of Native community support for the proposed initiative;	° Statements of support can be found in Annex VIII.
° the capacity of the eligible applicant to carry out the project;	° Response can be found in Sections III, IV and VI of our proposal.
° accounting procedures and practices of the eligible applicant;	° Response can be found in Sections I and III of our proposal.
° the amount of support, financial or non-financial, for the proposed project from other levels of government;	° We have chosen to apply directly to N.E.D.P. for this segment of our proposal, leaving other government programs for funding assistance of individual projects that will be developed through the Business Development Component.
° a time-phased and costed work plan for the proposed activities including; i) objectives; ii) anticipated and measurable results; iii) proposed clientele and beneficiaries;	° Response can be found in Sections VII-7.1 and VIII of our proposal.
° the relevant social and economic costs and benefits of the proposed project.	° Response can be found in Sections V, VII, VIII and IX of our proposal.

B. DEVELOPMENT TRUST FUND COMPONENT

This component of our proposal meets totally with the Eligibility of Element I of the Native Economic Development Program.

Eligibility	Development Trust Fund Component
° is incorporated either federally or provincially;	° See Annex II of our proposal.
° is in compliance with all relevant federal or provincial legislation;	° See Annex II of our proposal.
° has as an objective set out in the Articles of Incorporation or Letters Patent to assist and further Native business, industry and commercial development; and	° See Sections I, III, VI, and Annex II.
° is owned or controlled by Native people to a level which in the opinion of the Minister is acceptable.	° See Sections I, III and Annex II.

The Development Trust Fund Component of our proposal meets the stated requirements of the following two (2) Eligible Activities:

Eligible Activities	Development Trust Fund
A. Establishing or expanding a program to provide business and advisory services to Native entrepreneurs.	A. See Section VII-7.2
B. Establishing or expanding a program to provide financial services to Native entrepreneurs. These include: - loans - loan guarantees - bridge financing - equity contributions - venture capital - equity financing - other similar financial services to enable Native entrepreneurs to establish, acquire, expand or modernize a commercial operation. - Eligible costs include capitalization costs.	B. See Section VII-7.2

In addition we believe that our Development Trust Fund Component has responded to the "Criteria" identified for Element I:

CRITERIA	BUSINESS DEVELOPMENT COMPONENT
<ul style="list-style-type: none"> ° the demonstrated management capacity, the plan for management and the organizational development of the applicant; 	<ul style="list-style-type: none"> ° Response can be found in Sections I, III, VI, IX and Annexes III, IV and VII.
<ul style="list-style-type: none"> ° the demonstrated potential for the project to be self-sustaining; 	<ul style="list-style-type: none"> ° As identified in Section VII-7.2 the capital of the Development Trust Fund will remain intact. Only the interest generated from its investment will be used.
<ul style="list-style-type: none"> ° the accounting procedures and practices of the applicant; 	<ul style="list-style-type: none"> ° Response can be found in Section I, and Annexes II, III and IV.
<ul style="list-style-type: none"> ° community support for the project; 	<ul style="list-style-type: none"> ° Response can be found in Annex VIII
<ul style="list-style-type: none"> ° the degree to which other sources of funding will become available to the applicant as a result of a contribution by the Program; 	<ul style="list-style-type: none"> ° Response can be found in Sections VII-7.2 and IX-9.2.
<ul style="list-style-type: none"> ° the degree of investment in the project from other sources, including applicant equity; 	<ul style="list-style-type: none"> ° Response can be found in Section VII-7.2 and IX-9.2.
<ul style="list-style-type: none"> ° the demonstrated market and need for the financial and business services and investments planned by the applicant; 	<ul style="list-style-type: none"> ° Response can be found in Sections III, IV and V.
<ul style="list-style-type: none"> ° the relationship of the project to federal government national and regional strategies and priorities; and 	<ul style="list-style-type: none"> ° This component and indeed the proposal as a whole addresses itself directly towards self-reliance and self-government both of which are recognized strategies and priorities.
<ul style="list-style-type: none"> ° the relevant social and economic costs and benefits of the proposed project. 	<ul style="list-style-type: none"> ° Response can be found in Sections V, VII, VIII and IX of the proposal.

Further to the above examination of the compliance of our proposal to the 'Criteria' and 'Conditions' of the Native Economic Development Program, we wish to stress the following points:

- A. We are submitting this proposal not only in the name of Makivik Corporation but on behalf of Inuit of Northern Québec.
- B. This proposal is not a duplication of existing government programs or of N.E.D.P. itself. It is an Action Plan to place Economic Development of Inuit communities in the hands of the Inuit; to place development efforts on a community-based perspective.
- C. There is no agency or government department that possesses an understanding of the northern reality. We feel that the proposed Business Development structure and the Development Trust Fund can rectify this situation.
- D. The Business Development Component of our proposal will adopt similar safeguards and conditions used by DIAND and N.E.D.P. to ensure proper administrative procedures for grants and loans.
- E. Makivik would share with other regional representatives as well as N.E.D.P. the responsibility of approving grants and loans of any applicant to the Development Trust Fund.
(See section VII-7.2.4 and VIII)

We trust that our application will receive your prompt consideration.

ANNEX I

Resolution No. 1984-M-20

Re: Inuit-Socio Development

WHEREAS Inuit socio-economic development is urgently required and is a priority issue in northern Québec;

WHEREAS Chapter 29 of the James Bay and Northern Québec Agreement commits the federal and Québec governments to provide a wide range of socio-economic programs, including financial and technical assistance to Inuit entrepreneurs as well as training programs and facilities;

WHEREAS Chapter 29 also provides for a review of all existing federal and Québec socio-economic programs, including community services and infrastructure and, where necessary, contemplates the creation of new programs;

WHEREAS Inuit are particularly concerned about the continuing lack of employment opportunities in Inuit communities, which situation generates unacceptable social and economic costs to both Inuit and government;

WHEREAS to date the federal and Québec governments have not fulfilled their commitments under Chapter 29;

THEREFORE, on motion moved by George Annahatak, seconded by David Annanack, it was resolved:

THAT Makivik take all steps necessary to ensure that the federal and Québec governments fulfill both the spirit and letter of all their commitments under Chapter 29;

THAT in particular, Makivik should insist upon the establishment and implementation of appropriate programs to substantially increase employment opportunities in Inuit communities and our region in the short-term;

THAT Makivik should initiate the formulation of a comprehensive economic development strategy for northern Québec, in collaboration with Inuit communities and regional and local organizations concerned;

THAT such strategy shall take into account Inuit aspirations towards greater self-government and promote Inuit self-reliance to the fullest extent possible;

THAT in carrying out the above actions, Makivik should support Kativik Regional Government initiatives to fulfill K.R.G. responsibilities under Chapter 29 of the Agreement.

ANNEX I I



Chapter S-18.1

AN ACT RESPECTING THE MAKIVIK CORPORATION

DIVISION I
INTERPRETATION

- Definitions: **1.** In this Act, unless the context indicates otherwise,
- "Inuit community"; (a) "Inuit community" means each of the following Inuit communities existing on 15 November 1974: Fort George, Poste-de-la-Baleine, Inukdjouac (Port Harrison), Povungnituk, Akulivik, Ivujivik, Saglouc, Maricourt (Wakeham), Koartac, Bellin (Payne), Aupaluk, Tasiujaq, Fort-Chimo, Port-Nouveau-Québec and Killiniq (Port Burwell), as well as any Inuit community formed thereafter and recognized by the Government in an order published in the *Gazette officielle du Québec*;
- "board of directors" or "board"; (b) "board of directors" or "board" means the board of directors created by section 15;
- "Agreement"; (c) "Agreement" means the Agreement contemplated in section 1 of the Act approving the Agreement concerning James Bay and Northern Québec (chapter C-67);
- "Inuit"; (d) "Inuit" means the Inuit beneficiaries under the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1);
- "Corporation"; (e) "Corporation" means the Corporation established by section 2.

1978, c. 91, s. 1.

DIVISION II
INCORPORATION AND OBJECTS OF THE CORPORATION

- Incorporation. Name. **2.** A corporation is incorporated under the name of "Société Makivik".
- Alternate name. It may also be designated in Inuttituuṯ and in English as "Makivik Corporation".
- 1978, c. 91, s. 2.

Members. **3.** Only the Inuit beneficiaries under the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1) are or may be members of the Corporation.

1978, c. 91, s. 3.

Non-profit association. **4.** The Corporation is a non-profit association without share capital and without pecuniary gain for its members; it is governed, subject to the provisions of this act, by Part III of the Companies Act (Revised Statutes, 1964, chapter 271) as it exists on 28 June 1978, save that the enumeration in section 220 of the said act of sections which do not apply to the Corporation reads as follows: sections 1 to 17 and 23 to 27, paragraph *q* of section 29, sections 34 to 40, 42 to 73, 76 to 79, 81, the first three paragraphs of section 83, sections 84 and 85, subsection 3 of section 86, paragraphs *a* and *b* of subsection 2 of section 88, sections 89 to 91, paragraphs *j* and *k* of subsection 3 of section 95, section 99, subsection 2 of section 100, paragraphs *d* and *e* of subsection 1 and subsection 2 of section 101, and sections 117 and 119.

1978, c. 91, s. 4.

Objects. **5.** The objects of the Corporation are:
 (a) to receive, administer, use and invest the part, intended for the Inuit, of the compensation provided for in subsections 25.1 and 25.2 of the Agreement and the revenues therefrom, as well as all its other funds, in accordance with this act;
 (b) to relieve poverty and to promote the welfare and the advancement of education of the Inuit;
 (c) to develop and improve the Inuit communities and to improve their means of action;
 (d) to exercise the functions vested in it by other acts or the Agreement;
 (e) to foster, promote, protect and assist in preserving the Inuit way of life, values and traditions.

1978, c. 91, s. 5.

Head office. **6.** The Corporation shall have its head office in the Territory, within the meaning of this expression in the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1), at such place as it determines by by-law.

Coming into force. Such by-law shall come into force upon its publications in the *Gazette officielle du Québec*.

1978, c. 91, s. 6.

DIVISION III
POWERS AND DUTIES OF THE CORPORATION

- Duties. **7.** The Corporation must.
- (a) until 31 October 1997, invest directly or through one or more of its wholly owned corporations incorporated, either by special act of the Assemblée nationale or under Québec laws of general application, at least fifty per cent of that part intended for the Inuit of the compensation provided for in subsection 25.1 of the Agreement, from time to time as it is received, in the investments described in the schedule;
 - (b) until 31 October 1987, invest directly or through one or more of its wholly owned corporations incorporated, either by special act of the Assemblée nationale or under Québec laws of general application, at least twenty-five per cent, in addition to the minimum of fifty per cent contemplated in paragraph a, of that part intended for the Inuit of the compensation referred to in subsection 25.1 of the Agreement, from time to time as it is received, in the investments described in the schedule.

1978, c. 91, s. 7.

- Powers. **8.** The Corporation may
- (a) set aside or transfer to one or more of its wholly owned holding or venture capital corporations incorporated, either by special act of the Assemblée nationale or under Québec laws of general application, not more than twenty-five per cent of that part of the compensation intended for the Inuit referred to in subsection 25.1 of the Agreement, from time to time as it is received, for the following purposes:
 - i. to assist in the creation, financing or development of businesses, resources, properties and industries belonging to the Inuit;
 - ii. to initiate, expand and develop opportunities for the Inuit to participate in the economic development of their society through the application of their skills and capital; and
 - iii. to invest in the securities of any corporation owning property or carrying on business intended to directly relate to the economic or other interests of the Inuit;
 - (b) set aside or transfer to one or more of its wholly owned or wholly controlled corporations incorporated, either by special act of the Assemblée nationale or under Québec laws of general application, or, with the approval of the Gouvernement, to some form of wholly owned or wholly controlled non-corporate entity, any amount which, when added to the amount set aside or transferred

pursuant to paragraph *a*, does not amount to more than twenty-five per cent of that part intended for the Inuit of the compensation referred to in subsection 25.1 of the Agreement, from time to time as it is received, that must be used exclusively for educational, community and other charitable activities of the Inuit:

(c) subject to sections 10 and 11, administer, conserve, invest, reinvest, distribute and use as it deems appropriate:

i. all the revenues from the investment of the compensation mentioned hereunder:

ii. any portion of the compensation mentioned hereunder that has not been set aside or transferred under paragraphs *a* and *b*;

iii. any portion, intended for the Inuit beneficiaries, of the compensation contemplated in subsection 25.2 of the Agreement;

iv. all its other funds;

v. after the expiry of the periods referred to in paragraphs *a* and *b* of section 7, any portion of the compensation concerned:

(*d*) at its discretion, use its assets to reimburse the Northern Québec Inuit Association for debts contracted or expenses incurred by the latter for the general benefit of the Inuit before 28 June 1978.

1978, c. 91, s. 8.

Investment of compensation.

9. When, in accordance with section 7 or 8, the Corporation invests part of the compensation through corporations or transfers part of it to partnerships, corporations or other entities, these must invest these amounts or use them in accordance with the said sections.

1978, c. 91, s. 9.

Use of assets.

10. The Corporation and the legal entities referred to in sections 7 and 8 must use their assets exclusively for community purposes and other activities of general benefit to the Inuit; such assets shall not be distributed to an Inuit community except for its general benefit, and not for the individual benefit of any member of the Corporation.

1978, c. 91, s. 10.

Distribution of assets.

11. The Corporation and the legal entities contemplated in sections 7 and 8 shall not distribute their assets, in any manner whatsoever, to any individual as an entity distinct from the community, nor pay any dividend, make gifts or give any other benefit to such individual out of their assets.

1978, c. 91, s. 11.

Exempt from seizure. **12.** The investments made pursuant to section 7 by the Corporation or the legal entities contemplated in the said section, and the securities of the said legal entities which are owned by the Corporation are exempt from seizure, save in respect of debts and obligations relating directly to such investments, and shall not be used as real security or alienated.

1978, c. 91, s. 12.

List of members. **13.** The Corporation shall prepare each year a list of members and of major members arranged in alphabetical order and indicating the Inuit communities to which they are affiliated, on the basis of the Inuit Register established and maintained, in accordance with the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1), by the Secretary General contemplated in the said act.

Right to consult. Each member is entitled to consult this list as provided in the by-laws of the Corporation.

1978, c. 91, s. 13.

Financial statements. **14.** Within the six months following the end of each of its first twenty fiscal years, the Corporation shall file copies of its audited financial statements with the minister responsible for the application of this act and with the Minister of Indian Affairs and Northern Development.

1978, c. 91, s. 14.

DIVISION IV

THE BOARD OF DIRECTORS OF THE CORPORATION

Board of directors. **15.** The affairs of the Corporation shall be managed by a board of directors consisting of not under seventeen nor over twenty-five persons.

Number of members. Should the number of Inuit communities increase or decrease from the present level of fifteen, these minimum and maximum numbers will automatically be adjusted upwards or downwards, as the case may be, by the amount of that increase or decrease.

1978, c. 91, s. 15.

Representatives of Inuit communities. **16.** The board of directors shall consist of at least one representative elected by each Inuit community. Each representative must, at the time of his election, be affiliated with the community that he represents, in accordance with the Act respecting Cree, Inuit and

Naskapi Native persons (chapter A-33.1), and be ordinarily resident therein.

1978, c. 91, s. 16.

Provisional representatives. **17.** Until 31 October 1985, the board of directors shall include three representatives appointed, after consultation with the other members of the board, by the governmental authorities, namely, two representatives by the Gouvernement du Québec and one by the Minister of Indian Affairs and Northern Development. These members have the status of members of the board but receive no remuneration or reimbursement of expenses from the Corporation.

End of term. Such representatives may remain in office until 31 October 1987 upon the affirmative vote of four other members of the board, at a meeting of the board of directors duly convened to consider the question.

1978, c. 91, s. 17.

Election. **18.** The election of the other members of the board who are not elected or appointed in accordance with section 16 takes place at the annual general meeting of the members of the Corporation.

1978, c. 91, s. 18.

Qualifications of members. **19.** All members of the board must be major and, save for the representatives of the Government appointed in accordance with section 17, must be members of the Corporation.

1978, c. 91, s. 19.

Term of office. **20.** The term of each member of the board of directors commences at the termination of the annual general meeting immediately following his election or appointment or at which he is elected, as the case may be.

Term of office. Such term shall not exceed three years in the case of elected members and two years in the case of representatives of the Government appointed in accordance with section 17.

1978, c. 91, s. 20.

Vacancy. **21.** Should any of the Inuit communities fail to elect a representative to the board of directors, or should the annual general meeting elect an insufficient number of representatives to the board, or should the representatives mentioned in section 17 not be

appointed, a vacancy on the board of directors exists until an election or appointment is made as provided for in sections 16 to 20.

1978, c. 91, s. 21.

Filling vacancies.

22. Save as provided in section 21, vacancies on the board of directors shall be filled as follows:

(a) should the unexpired portion of the term of any member elected by an Inuit community exceed one year, elections must be held in this community in the manner provided for in section 27; otherwise, the remaining directors may fill such vacancy by appointing to the council a person who must, at the moment of his appointment, be affiliated with the Inuit community that he represents and be ordinarily resident therein;

(b) should the unexpired portion of the term of any such member elected at an annual general meeting exceed one year, reckoned from the date of the next annual general meeting of members, an election for his replacement shall be held at such meeting; in the meantime, the remaining directors fill the vacancy until the termination of the next annual general meeting of members:

(c) should the unexpired term of any such member contemplated in paragraph *b* be less than one year, reckoned from the date of the next annual general meeting of members, the remaining directors fill the vacancy:

(d) vacancies created by representatives appointed in accordance with section 17 shall be filled by those who made the appointment.

The members of the board of directors so elected or appointed, save in the case of an appointment made by the members of the board pursuant to paragraph *b*, remain in office for the unexpired portion of the term of the members they replace.

1978, c. 91, s. 22.

Term of office.

23. Where a vacancy is filled, the term commences either on the date a member representing an Inuit community is elected, in the case of a representative of a community, or at the termination of the annual general meeting in the case of a member elected at such a meeting or on the date of appointment in the case of a member appointed in accordance with section 17 or appointed by the other members of the board of directors to fill the vacancy.

1978, c. 91, s. 23.

Quorum. **24.** The quorum for meetings of the board of directors is a majority of the elected or appointed members, representing at least two-thirds of the Inuit communities who have elected representatives to the board of directors.

1978, c. 91, s. 24.

Notice. **25.** Seven days prior notice must be given to each member of the board of directors in respect of any meeting of the board requiring notice. Such notice may be given in writing, by telephone, by telex or by any other means of telecommunication.

1978, c. 91, s. 25.

By-laws. **26.** Subject to this act, the by-laws of the Corporation may provide for:

(a) the number of members of the board of directors;

(b) the term of office of each member of the board of directors, not including Government representatives appointed in accordance with section 17, so as to provide for the election by turns of a given number of members each year following the first election of directors;

(c) the period during which elections for the representatives of each Inuit community to the board of directors must be held;

(d) the quorum at meetings of the board of directors;

(e) the quorum at meetings of members and the method of reimbursement of the expenses incurred by the representatives of each Inuit community because of their participation in these meetings;

(f) the percentage of votes required to validly elect a representative of each Inuit community to the board of directors;

(g) the terms and conditions governing the use of the assets of the Corporation.

Amendments. Any amendment to the foregoing by-laws comes into force only upon ratification by special resolution adopted by a majority of at least two-thirds of the votes from the major members of the Corporation having voted in person or by proxy at a meeting of the members duly summoned to examine that resolution.

1978, c. 91, s. 26.

**DIVISION V
ELECTIONS**

Elections. **27.** When required, elections for representatives of each Inuit community to the board of directors are held in each community during the ninety-day period preceding the date fixed for the annual general meeting of the members or during the ninety-day period following the creation of any vacancy on the board of directors which must be filled by election in accordance with paragraph a of section 22.

1978, c. 91, s. 27.

Supervision. **28.** The elections provided for in section 27 shall be held under the supervision of a returning officer appointed by the board. A member of the board cannot be returning officer.

1978, c. 91, s. 28.

Persons entitled to vote. **29.** Only major Inuit members affiliated with each Inuit community, in accordance with the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1), may vote in the election of a representative of such community to the board. Each major member has only one vote and may vote in person or by proxy. Only a member entitled to vote may act as proxy.

Number of procurations. For the purpose of the application of this act, no one may hold more than ten procurations.

1978, c. 91, s. 29.

Voting continues. **30.** Voting at an election held in an Inuit community continues until a candidate receives the majority of the votes cast.

1978, c. 91, s. 30.

Validity. **31.** The election for the representative of an Inuit Community in not valid unless at least fifteen per cent of the members entitled to vote have voted in person or by proxy.

1978, c. 91, s. 31.

DIVISION VI
GENERAL MEETINGS OF MEMBERS

- Date. **32.** The annual general meeting of members of the Corporation shall be held within six months after the fiscal year-end of the Corporation.
1978, c. 91, s. 32.
- Persons entitled to vote. **33.** Only a major member may vote at general meetings of the Corporation and each member has only one vote; such vote may be made in person or by proxy; only a major member may act as proxy.
1978, c. 91, s. 33.
- Quorum. **34.** A quorum at general meetings of members is formed of the major members present in person who are affiliated with an Inuit community in accordance with the Act respecting Cree, Inuit and Naskapi Native persons (chapter A-33.1); that quorum is thirty-five members representing at least two-thirds of the Inuit communities that have elected representatives to the board.
1978, c. 91, s. 34.
- Expenses. **35.** The Corporation shall provide the funds necessary to cover the justifiable expenses incurred in attending any general meeting of at least two representatives from each Inuit community.
1978, c. 91, s. 35.

DIVISION VII
TRANSITIONAL PERIOD PROVISIONS

- Provisional board of directors. **36.** From 28 June 1978 until the termination of the first annual general meeting of members, a provisional board of directors, consisting of twenty-four persons, is constituted as follows: one representative of each Inuit community is appointed at a meeting of the community council or local authority of each of the fifteen existing Inuit communities, two representatives may be appointed by the Northern Québec Inuit Association, four members may be appointed by the Fédération des coopératives du Nouveau-Québec, and three other representatives are appointed in accordance with section 17.

Vacancy. Should any member of the provisional board of directors not be appointed in accordance with the preceding paragraph, a vacancy remains on the board until an appointment is made.

Filling vacancies. The remaining members of the board fill vacancies other than those provided for in the preceding paragraph, in the case of representatives already appointed by the community councils and the Northern Québec Inuit Association. Vacancies created by representatives appointed in accordance with section 17 shall be filled by the person who made the appointment.

Term of office. The term of members of the provisional board of directors so appointed or appointed as substitutes commences on the date of their appointment.

1978, c. 91, s. 36.

Deposit of compensation. **37.** Until the termination of the first annual general meeting of members, the Corporation shall deposit the compensation contemplated in subsection 25.1 of the Agreement and intended for the Inuit with a Canadian chartered bank or a savings and credit union carrying on business in Québec, and the revenues therefrom shall be received by the Corporation and managed and used by it in accordance with this act. Until such meeting of members, the Corporation, in addition to the other restrictions contained in this act, shall not:

(a) borrow any money in excess of the total of the accrued but unpaid interest which might at any time and from time to time be owing to the Corporation under Québec debentures issued to the Corporation pursuant to subsection 25.2 of the Agreement;

(b) anyway encumber any of its assets;

(c) make any agreement having a term in excess of one year or containing any commitment, financial or otherwise, that will not be fully discharged within such period.

1978, c. 91, s. 37.

Provisions applicable. **38.** Subject to this division, the other divisions of this act apply, *mutatis mutandis*, to the provisional board of directors. For that purpose, the reference,

(a) in section 16, to a representative elected by each of the Inuit communities is a reference to a representative appointed by each of the Inuit communities; and,

(b) in sections 24 and 34, to the majority of the Inuit communities who have elected representatives to the board of directors, is a reference to the majority of the Inuit communities who have appointed representatives to the board of directors.

1978, c. 91, s. 38.

DIVISION VIII
FINAL PROVISIONS

- Winding-up or dissolution of Corporation. **39.** No voluntary winding-up or dissolution of the Corporation may take place without prior government approval of the plan for distribution, after it has discharged its debts, of its assets to the Inuit communities for community purposes, other undertakings of general benefit to the Inuit or one or more prescribed charitable organizations contemplated in the Taxation Act (chapter I-3).
1978, c. 91, s. 39.
- Right to accrued interest. **40.** The Corporation is not entitled to the interest accrued, until 28 June 1978, on the part of the compensation referred to in subsection 25.1 of the Agreement and paid to the Northern Québec Inuit Association for the general benefit of the Inuit. The Northern Québec Inuit Association must, however, give an account to the Corporation of its use of such interest and remit to the latter the portion of such interest remaining at 28 June 1978.
1978, c. 91, s. 40.
- Makivik Corporation. **41.** The Makivik Corporation is the legal entity contemplated in subsections 1.11 and 27.01 of the Agreement. Every mention of the legal Inuit entity in the Agreement or in any other act or document to which the Gouvernement is a party designates the Makivik Corporation.
1978, c. 91, s. 41.
- Inapplicable provision. **42.** Section 21 of the Act respecting the Ministère des affaires intergouvernementales (chapter M-21) does not apply to the Corporation, nor to the legal entities contemplated in sections 7 and 8.
1978, c. 91, s. 42.
- Minister responsible. **43.** The Gouvernement shall designate the minister responsible for the application of this act.
1978, c. 91, s. 43.

Coming into force. **44.** This act comes into force on a date to be fixed by proclamation of the Government.

1978, c. 91, s. 44.

Exception. **45.** This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

1982, c. 21, s. 1.

1 JULY 1982

S-18.1 / 13 (12)

SCHEDULE

(Section 7)

AUTHORIZED INVESTMENTS

(1) Bonds or other evidences of indebtedness issued or guaranteed by the government of Québec, of Canada or a province of Canada, of the United States of America or of any state thereof, by the International Bank for Reconstruction and Development, by a municipal or school corporation in Canada, or by a "fabrique" in Québec;

(2) bonds or other evidences of indebtedness issued by a public authority having as its object the operation of a public service in Canada or any province thereof and entitled to impose a tariff for such service;

(3) bonds or other evidences of indebtedness secured by the transfer to a trustee of an undertaking by Canada or any province of Canada to pay sufficient subsidies to meet the interest and principal at their respective maturities;

(4) bonds, debentures or other evidences of indebtedness of a corporation that are fully secured by a first mortgage, charge or hypothec to a trustee or to the Corporation upon any, or any combination, of the following assets:

(i) real estate or leaseholds;

(ii) the plant or equipment of a corporation that is used in the transaction of business; and

(iii) bonds, debentures or other evidences of indebtedness, shares of a class authorized hereunder as investments, or cash balances, if such bonds, debentures, other evidences of indebtedness, shares or cash balances are held by a trustee; and the inclusion, as additional security under the mortgage, charge or hypothec, of any other assets not of a class authorized hereunder as investments shall not render such bonds, debentures or other evidences of indebtedness ineligible as an investment;

(5) bonds or certificates issued by a trustee to finance the purchase of transportation equipment, for a corporation incorporated in Canada or the United States, to be used on airlines, railways or public highways, if the bonds or certificates are fully secured by

(i) an assignment of the transportation equipment to, or the ownership thereof by, the trustee, and

(ii) a lease or conditional sale thereof by the trustee to the corporation;

(6) bonds, debentures or other evidences of indebtedness

(i) of a corporation if, at the date of investment, the preferred shares or the common shares of the corporation are authorized as investments by paragraph 8 or 9; or

(ii) of, or guaranteed by, a corporation whose total earnings for a period of five (5) years ended less than one year before the date of investment were at least ten (10) times, and in each of any four (4) of the five (5) years, were at least one and one-half times the annual interest requirements at the date of investment on all indebtedness of or guaranteed by that corporation other than indebtedness classified as a current liability, under generally accepted accounting principles, in the balance sheet of the corporation; and if the corporation at the date of investment owns directly or indirectly more than fifty per cent (50%) of the common shares of another corporation, the earnings of the corporations during the said period of five (5) years may be consolidated with due allowance for minority interests, if any, and in that event the interest requirements of the corporations shall be consolidated and such consolidated earnings and consolidated interest requirements shall be taken as the earnings and interest requirements of the corporation; and, for the purpose of this subparagraph, "earnings" means earnings available to meet interest charges on indebtedness other than indebtedness classified as a current liability under generally accepted accounting principles;

(7) guaranteed investment certificates issued by a trust company incorporated in Canada if, at the date of investment, the common shares or the preferred shares of the trust company are authorized as investments by paragraph 8 or 9, certificates of deposit and bearer discount notes of any Canadian chartered bank or any savings and credit union;

(8) the preferred shares of a corporation if

(i) the corporation has paid a dividend, in each of the five years immediately preceding the date of investment, at least equal to the specified annual rate on all its preferred shares, or

(ii) the common shares of the Corporation are, at the date of investment, authorized as investments by paragraph 9;

(9) the fully paid common shares of a corporation that, during a period of five (5) years that ended less than one year before the date of investment has either

- (i) paid a dividend in each such year upon its common shares, or
- (ii) had earnings in each such year available for the payment of a dividend upon its common shares, of at least four per cent (4%) of the average value at which the shares were carried in the capital account of the corporation during the year in which the dividend was paid or in which the corporation had earnings available for the payment of dividends, as the case may be;

(10) real estate or leaseholds for the production of income in Canada, if

(i) a lease of the real estate or leasehold is made to, or guaranteed by,

(A) the government of Canada or of any of the provinces, or an agency of the said governments, or

(B) a corporation, the preferred shares or common shares of which are, at the date of investment, authorized as investments by paragraph 8 or 9,

(ii) the lease provides for a net revenue sufficient to yield a reasonable interest return during the period of the lease and to repay at least eighty-five per cent (85%) of the amount invested in the real estate or leasehold within the period of the lease but not exceeding thirty years from the date of investment, and

(iii) the total investment of the Corporation hereunder in any one parcel of real estate or in any one leasehold does not exceed two per cent (2%) of the book value of the portion of the total assets of the Corporation relating to the compensation;
and the Corporation may hold, maintain, improve, lease, sell or otherwise alienate or dispose of the real estate or leasehold;

(11) real estate or leaseholds for the production of income in Canada, if

(i) the real estate or leasehold has produced, in each of the three (3) years immediately preceding the date of investment, net revenue in an amount that, if continued in future years, would be sufficient to yield a reasonable interest return on the amount invested in the real estate or leasehold and to repay at least eighty-five per cent (85%) of that amount within the remaining economic lifetime of the improvements to the real estate or leasehold but not exceeding forty years from the date of investment, and

(ii) the total investment of the Corporation hereunder in any one parcel of real estate or in any one leasehold does not exceed two per cent (2%) of the book value of the portion of the assets of the Corporation relating to the compensation;

and the Corporation may hold, maintain, improve, lease, sell or otherwise alienate or dispose of the real estate or leasehold;

(12) debts secured by mortgages, charges and hypothecs, upon improved real estate or leaseholds in Canada, notwithstanding that the amount paid for such debts so secured by mortgage, charge or hypothec exceeds three-quarters of the value of the real estate or leasehold, if the loan for which the hypothec, mortgage or charge is security, is an approved loan or an insured loan under the National Housing Act (Revised Statutes of Canada, 1970, chapter N-10) or any equivalent provincial legislation;

(13) debts secured by hypothec or mortgage on real estate in Canada:

(i) if payment of principal and interest is guaranteed or assured by the government of Canada or of any province of Canada, or by any public authority therein; or

(ii) if the hypothec or mortgage ranks first and the amount of the debt is not more than seventy-five per cent (75%) of the value of the real estate securing payment thereof;

(14) where the Corporation owns securities of a corporation and as a result of investments made hereunder and as a result of a bona fide arrangement for the reorganization or winding up of the corporation or for the amalgamation of the corporation with another corporation, such securities are to be exchanged for bonds, debentures or other evidences of indebtedness or shares not authorized as investments by the foregoing provisions of this schedule, the Corporation may accept such bonds, debentures or other evidences of indebtedness or shares;

(15) the total book value of the investments of the Corporation in common shares authorized in this schedule shall not exceed fifty per cent (50%) of the book value of the portion of the assets of the Corporation relating to the compensation;

(16) the total book value of the investments of the Corporation in real estate or leaseholds for the production of income authorized in this schedule shall not exceed ten per cent (10%) of the book value of the portion of the assets of the Corporation relating to the compensation;

(17) the Corporation shall not invest any of its funds in bonds, debentures or other evidences of indebtedness on which payment of principal or interest is in default;

(18) in order to secure total or partial payment of any amount owed to it, the Corporation may acquire and alienate the real estate which secures such payment, and such real estate is not subject to the restrictions prescribed in paragraph 10, 11 or 16;

(19) the Corporation may invest the funds described in section 8 of this act otherwise than as authorized in this schedule, provided that the total amount of such investment does not exceed seven per cent (7%) of the book value of the portion of the assets of the Corporation relating to the compensation and that, in the case of investment in real estate, the total real estate investment in a single undertaking does not exceed one per cent (1%) of the book value of the portion of the total assets of the Corporation relating to the compensation.

1978, c. 91, Schedule.

REPEAL SCHEDULE

In accordance with section 17 of the Act respecting the consolidation of the statutes and regulations (chapter R-3), chapter 91 of the statutes of 1978, in force on 1 June 1979, is repealed effective from the coming into force of chapter S-18.1 of the Revised Statutes.

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UPDATING CONCERNING THIS CHAPTER:

1 NOVEMBER 1980

1 JULY 1982

1 JULY 1983

ANNEX III

MAKIVIK CORPORATION

Auditors' Report

Financial Statements
September 30, 1983



Peat, Marwick, Mitchell & Cie
Comptables agréés
1155, boul. Dorchester ouest
Montréal (Québec) H3B 2H9
(514) 876-3300

AUDITORS' REPORT TO THE MEMBERS

We have examined the balance sheet of Makivik Corporation as at September 30, 1983 and the statements of revenue and expenditure, beneficiaries' equity and changes in cash balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the corporation, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the corporation as at September 30, 1983 and the revenue and expenditure and changes in cash balance for the year then ended, in accordance with accounting principles generally accepted for non-profit organizations applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Cie

Chartered Accountants

Montreal, Canada
December 9, 1983

MAKIVIK CORPORATION

Balance Sheet

September 30, 1983
with comparative figures for 1982

	<u>1983</u>	<u>1982</u>
<u>Assets</u>		
Cash (including term deposits)	\$ 17,169,242	19,273,701
Receivables (note 2)	4,377,401	5,851,586
Investments:		
Securities (note 3)	39,950,122	33,133,374
Subsidiary companies	-	222,666
Rental property, at cost less accumulated amortization of \$15,583 (1982 - nil) (Note 4)	324,417	247,950
Prepaid expenses	42,995	47,532
Fixed assets, at cost (note 5)	<u>5,559,582</u>	<u>5,502,804</u>
	<u>\$ 67,423,759</u>	<u>64,279,613</u>

Liabilities and Beneficiaries' Equity

Bank loan and overdraft	\$ -	1,047,562
Accounts payable and accrued liabilities	1,155,520	729,791
Excess of losses over investments in subsidiary companies (note 6)	490,736	-
Loans payable (note 7)	<u>1,500,000</u>	<u>1,500,000</u>
	3,146,256	3,277,353
Beneficiaries' equity	<u>64,277,503</u>	<u>61,002,260</u>
	<u>\$ 67,423,759</u>	<u>64,279,613</u>

See accompanying notes to financial statements.

On behalf of the Board:

.....Director

.....Director

MAKIVIK CORPORATION

Statement of Beneficiaries' Equity

Year ended September 30, 1983
with comparative figures for 1982

	<u>1983</u>	<u>1982</u>
Compensation received:		
Balance at beginning of year	\$ 58,712,649	56,693,655
Amounts received during the year	<u>2,708,399</u>	<u>2,018,994</u>
Balance at end of year	<u>61,421,048</u>	<u>58,712,649</u>
Excess of revenue over expenditure (expenditure over revenue):		
Balance at beginning of year	(3,213,193)	(3,216,516)
Less recovery of implementation expenditures	<u>-</u>	<u>1,452,080</u>
	(3,213,193)	(1,764,436)
Change during year, per accompanying statement	<u>510,066</u>	<u>(1,448,757)</u>
Balance at end of year	<u>(2,703,127)</u>	<u>(3,213,193)</u>
Funds invested in fixed assets	<u>5,559,582</u>	<u>5,502,804</u>
Total beneficiaries' equity at end of year	<u>\$ 64,277,503</u>	<u>61,002,260</u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Statement of Revenue and Expenditure

Year ended September 30, 1983
with comparative figures for 1982

	<u>1983</u>	<u>1982</u>
Revenue:		
Interest on Province of Quebec debentures	\$ 3,212,728	3,212,728
Interest and dividends on marketable securities	509,919	-
Interest on municipal bonds	544,420	413,089
Interest on term deposits	1,591,102	3,584,142
Interest on loans to subsidiary companies	401,622	89,862
Interest on mortgage receivable	-	2,896
Interest on loans to landholding corporations	210,866	236,759
Interest on loan to T.N.I.	-	8,561
Interest on loan to Inuit Circumpolar Conference	1,929	-
Interest on loan to cooperative of Inukjuak	23,891	15,680
Gain on sale of marketable securities	331,740	-
Revenue from rental property	57,878	-
	<hr/>	<hr/>
Total revenue	6,886,095	7,563,71
Expenditure:		
Operating expenses (Schedule I)	2,805,782	2,785,60
Interest - Government of Canada loans	115,625	115,62
Interest - bank loan	17,253	68,69
Fixed assets acquired	56,778	1,384,57
Losses of subsidiary companies (note 6)	2,256,008	3,225,21
Write-off of investment in Héli-Québec Ltée	-	295,00
Amortization of investment in rental property	15,583	-
Distributions:		
Landholding corporations	1,000,000	1,000,00
Avataq	109,000	137,79
	<hr/>	<hr/>
Total expenditure	6,376,029	9,012,47
Excess of revenue over expenditure (expenditure over revenue)	\$ <u>510,066</u>	<u>(1,448,77)</u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Statement of Changes in Cash Balance

Year ended September 30, 1983
with comparative figures for 1982

	<u>1983</u>	<u>1982</u>
Source of cash:		
From operations:		
Excess of revenue over expenditure (expenditure over revenue)	\$ 510,066	(1,448,757)
Add:		
Losses of subsidiary companies	2,256,008	3,225,217
Loss on write-off of investment	-	295,000
Amortization of investment in rental property	<u>15,583</u>	<u>-</u>
Cash provided from operations	2,781,657	2,071,460
Decrease in receivables	1,474,185	-
Compensation received in cash	2,708,399	2,018,994
Increase in bank loan	-	840,475
Other liabilities net of assets	<u>430,266</u>	<u>176,766</u>
Total cash provided	<u>7,394,507</u>	<u>5,107,695</u>
Use of cash:		
Decrease in bank loan	1,047,562	-
Increase in receivables	-	1,019,341
Investments in subsidiary companies	1,542,606	4,031,392
Investment in shares and advances in Héli-Québec Ltée	-	220,000
Purchase of municipal bonds	898,597	2,738,600
Purchase of rental property	92,050	247,950
Purchase of marketable securities	<u>5,918,151</u>	<u>-</u>
Total cash used	<u>9,498,966</u>	<u>8,257,283</u>
Decrease in cash balance	(2,104,459)	(3,149,588)
Cash balance at beginning of year	<u>19,273,701</u>	<u>22,423,289</u>
Cash balance at end of year	\$ <u>17,169,242</u>	<u>19,273,701</u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Notes to Financial Statements

September 30, 1983

The corporation was incorporated by a special act of the Quebec National Assembly on June 28, 1978 and is a non-profit corporation whose objects include the following:

- (a) to receive and administer the compensation payable to the Inuit in virtue of the James Bay and Northern Quebec Agreement ("Agreement").
- (b) to relieve poverty and promote the welfare and advancement of education of the Inuit.
- (c) to develop and improve the Inuit communities.
- (d) to assist in preserving the Inuit way of life, values and traditions.

(1) Significant accounting policies:

(a) Fund accounting:

The principles of fund accounting have been employed in the preparation of these financial statements as the most appropriate method of controlling and reporting on the activities of the corporation. The accrual method is followed for the recognition of revenues and expenditures.

(b) Accounting for investments in subsidiary companies:

The corporation's investments in its subsidiary companies are accounted for in the accompanying financial statements by the equity method under which such investments initially are recorded at cost and the carrying value of the investment is increased or decreased to recognize the corporation's proportionate share of the profits or losses of the subsidiary companies since incorporation. The corporation's share of the profits or losses of the subsidiary companies is included in the statement of revenue and expenditure.

(c) Fixed assets:

Fixed assets are recorded at cost. There is no provision made for depreciation in accordance with accounting principles generally followed by organizations using fund accounting.

(d) Investments in rental property:

The rental property is recorded at cost and amortized on a straight-line basis over the lease term.

(e) Foreign exchange:

Investments in foreign securities are translated to Canadian dollars at the approximate rate of exchange in effect at the date of their acquisition.

Notes to Financial Statements, Continued

(2) Receivables:

	<u>1983</u>	<u>1982</u>
Core funding due from federal government	\$ 32,840	-
Implementation funding due from federal government	-	1,692,500
Accrued interest	2,141,928	1,797,634
Subsidiary companies	86,299	72,795
Loans to landholding corporations	1,340,743	1,658,384
Loan to the cooperative of Inukjuak	350,000	350,000
Loan to Inuit Circumpolar Conference	100,000	-
Trade and employee accounts	325,591	280,273
	<u>\$ 4,377,401</u>	<u>5,851,586</u>

(3) Investment in securities:

Marketable securities:

	<u>1983</u>		<u>1982</u>
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Stocks	\$ 1,983,083	1,971,575	
Bonds	3,935,068	3,944,127	
		<u>5,915,702</u>	

Other securities, with no quoted market values:

Municipal bonds	3,637,197	2,738,600
Province of Quebec debentures	<u>30,394,774</u>	<u>30,394,774</u>
	<u>\$ 39,950,122</u>	<u>33,133,374</u>

The Province of Quebec debentures are non-transferable but may be redeemed at par at the corporation's option on November 1 either 5 years or 10 years before maturity. Interest on the debentures is due semi-annually. Details of the debentures are as follows:

10.55% due November 1, 1995	\$ 6,078,954
10.15% due November 1, 1996	6,078,955
9.80% due November 1, 1997	6,078,955
10.35% due November 1, 1998	6,078,955
12.00% due November 1, 1999	6,078,955
	<u>30,394,774</u>

(4) Investment in rental property:

During the year the corporation entered into a lease agreement with Hydro-Quebec for a period of 20 years. Minimum annual lease payments total \$62,640.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

(5) Fixed assets:

	<u>1983</u>	<u>1982</u>
Land	\$ 168,270	\$ 168,270
Buildings	4,910,179	4,898,328
Office equipment and home furnishings	452,856	407,929
Vehicles	<u>28,277</u>	<u>28,277</u>
	<u>\$ 5,559,582</u>	<u>\$ 5,502,804</u>

(6) Investments in active subsidiary companies:

	<u>Investment in shares at cost</u>	<u>Advances</u>	<u>Accumulated losses to date</u>	<u>Total investment</u>
Air Inuit Ltd.				
800,005 common shares				
2,170,000 preferred shares	\$ 2,970,005	940,000	(1,913,829)	1,996,176
Inuit Leasing Ltd.				
301,000 common shares	301,000	1,161,564	(1,693,177)	(230,613)
Kigiak Builders Inc.				
10,005 common shares				
3,035,251 preferred shares	3,045,256	449,691	(3,124,367)	370,580
Kigaq Travel Agency	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
	<u>6,341,261</u>	<u>2,551,255</u>	<u>(6,731,373)</u>	<u>2,161,143</u>

Investments in non-active subsidiary companies:

Ayapiqvik Hotels and Restaurants Ltd.				
65,003 common shares	65,003	451,618	(516,621)	-
Kigiak Builders (Electrical) Inc.				
18,000 common shares				
600 preferred shares par value \$100	78,000	75,005	(138,291)	14,714
Imaqpiq Fisheries Inc.				
100,001 common shares	<u>100,001</u>	<u>3,551,699</u>	<u>(6,318,293)</u>	<u>(2,666,593)</u>
	<u>243,004</u>	<u>4,078,322</u>	<u>(6,973,205)</u>	<u>(2,651,879)</u>
Total	<u>\$ 6,584,265</u>	<u>6,629,577</u>	<u>(13,704,578)</u>	<u>(490,736)</u>

The accumulated losses reflect the subsidiary's losses from the date of incorporation to the subsidiary's most recent fiscal year ended prior to September 30, 1983, with the exception of Imaqpiq Fisheries Inc. whose losses are recorded up to the period ended September 30, 1983.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

- (6) Investments in subsidiary companies (continued):
 Profit (losses) of subsidiary companies for their respective financial periods are as follows:

	<u>Financial statement year end</u>	<u>1983</u>
Air Inuit Ltd.	December 31, 1982	\$ 651,635
Kigiak Builders (Electrical) Inc.	June 30, 1983	(57,103)(A)
Imaqpiq Fisheries Inc.	Sept. 30, 1983	(2,499,244)(A)
Inuit Leasing Ltd.	December 31, 1982	(523,412)(A)
Kigiak Builders Inc.	June 30, 1983	<u>172,116</u>
		<u>\$ (2,256,008)</u>

(A) Losses for the period based on unaudited financial statements.

- (7) Loans payable:
 Loans payable to the Government of Canada are due December 31, 1984 with interest at a rate of 8 7/8% on \$500,000 principal and 7 1/8% on \$1,000,000 principal. The loans are secured by certain bank term deposits aggregating \$1,500,000.

- (8) Compensation:

- (a) The compensation under section 25 of the Agreement comprises the following:

Basic compensation by virtue of section 25.1:

(i) Inuit share of first \$75 million due from the Governments of Quebec and Canada	\$ 30,394,774
(ii) Inuit share of second \$75 million due from James Bay Energy Corporation	30,394,774
(iii) Due from Government of Canada for the Inuit of Port Burwell	<u>525,428</u>
	61,314,976

Compensation for future development by virtue of section 25.2:

Inuit share of third \$75 million due from Government of Quebec	<u>30,394,774</u>
	<u>\$ 91,709,750</u>

Of the compensation received pursuant to section 25.1, 75% must be invested in investments described in the schedule to the Agreement until October 31, 1987. This percentage declines to 50% on November 1, 1987 and remains at that level until October 31, 1997 when the restrictions cease. As at September 30, 1983 the amount of compensation so restricted was \$23,269,699.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

(8) Compensation (continued):

- (b) Compensation not yet due:
The compensation not yet due is not recognized as an asset.

The terms of compensation to be received in cash are as follows:

During year ending:	
September 30, 1984	\$ 1,236,808
1985	<u>1,236,808</u>
	2,473,616

Balance due to be determined with reference to installed generating capacity of hydro-electric generating stations built in the territory north of the 49th parallel of latitude after execution of the Agreement - payable over a maximum period to December 31, 1996	<u>27,815,086</u>
	\$ <u>30,288,702</u>

(9) Contingent liability:

The corporation has guaranteed bank loans of the subsidiary companies up to \$15,000,000. As at September 30, 1983 these loans aggregated approximately \$8,400,000. The corporation has effectively pledged one-half of its investment in Province of Quebec debentures as collateral for these guarantees.

(10) Comparative figures:

Certain comparative figures for 1982 have been reclassified to conform with the presentation adopted in the current year.

(11) Related party transactions:

During the year the corporation entered into transactions with its subsidiary companies in the normal course of business as follows:

Assets purchased from subsidiary	\$ 92,050
Charges from subsidiaries for services	166,167
Recovery of expenses from subsidiaries	290,878

MAKIVIK CORPORATION

Schedule of Operating Expenses

Year ended September 30, 1983
with comparative figures for 1982

	<u>1983</u>	<u>1982</u>
Salaries and benefits	\$ 1,601,140	1,639,873
Travel	341,929	326,037
Aircraft charter	182,654	176,735
Accommodation	213,803	191,747
Legal and other professional fees	631,720	604,603
Fishing equipment for research projects	148,929	-
Municipal services, utilities and maintenance of houses	282,585	147,753
Rent	22,838	11,792
Insurance	56,367	61,892
Telephone and telex	167,203	146,059
Office expense	32,226	20,999
Public relations	49,459	35,782
Library maps and publications	21,961	23,747
Printing and stationery	105,107	76,466
Photocopies and equipment rental	52,165	48,751
Automobile expenses	19,073	18,002
Freight	54,699	39,875
Material and supplies	39,237	36,040
Bad debt expense	-	39,939
Repairs and maintenance - other	3,167	3,480
Training	(13,328)	(1,571)
Taxes	16,441	10,141
Relocation of employees	13,530	20,737
Recovery of expenses - other	(97,376)	(37,941)
Rental revenue	(216,150)	(220,551)
Recovery of expenses - Core Funding	(298,448)	(272,755)
Recovery of expenses - Research projects	(390,149)	(121,601)
Recovery of expenses - Implementation Funding	(235,000)	(240,420)
	<u>\$ 2,805,782</u>	<u>2,785,601</u>

MAKIVIK CORPORATION

Auditors' Report

Financial Statements
September 30, 1984



Peat, Marwick, Mitchell & Cie
Comptables agréés
1155, boul. Dorchester Ouest
Montreal (Quebec) H3B 2H9
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In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the corporation, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the corporation as at September 30, 1984 and the revenue and expenditure and changes in cash balance for the year then ended, in accordance with accounting principles generally accepted for non-profit organizations applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Cie

Chartered Accountants

Montreal, Canada
December 6, 1984

MAKIVIK CORPORATION

Balance Sheet

September 30, 1984
with comparative figures for 1983

	<u>1984</u>	<u>1983</u>
<u>Assets</u>		
Cash (including term deposits)	\$ 21,852,842	17,169,242
Receivables (note 2)	3,725,475	4,377,401
Investments:		
Securities (note 3)	38,553,986	39,950,122
Subsidiary companies (note 5)	1,270,579	-
Rental property, at cost less accumulated amortization of \$32,583 (1983 -\$15,583)	307,417	324,417
Prepaid expenses	49,160	42,995
Fixed assets and artifacts, at cost (note 4)	<u>5,731,790</u>	<u>5,559,582</u>
	<u>\$ 71,491,249</u>	<u>67,423,759</u>

Liabilities and Beneficiaries' Equity

Accounts payable and accrued liabilities	\$ 1,799,559	1,155,520
Excess of losses over investments in subsidiary companies	-	490,736
Loans payable (note 6)	<u>1,500,000</u>	<u>1,500,000</u>
	3,299,559	3,146,256
Beneficiaries' equity	<u>68,191,690</u>	<u>64,277,503</u>
	<u>\$ 71,491,249</u>	<u>67,423,759</u>

See accompanying notes to financial statements.

On behalf of the Board:

.....Director

.....Director

MAKIVIK CORPORATION

Statement of Revenue and Expenditure

Year ended September 30, 1984
with comparative figures for 1983

	<u>1984</u>	<u>1983</u>
Revenue:		
Interest on Province of Quebec debentures	\$ 3,212,728	3,212,728
Interest and dividends on marketable securities	532,334	509,919
Interest on municipal bonds	502,209	544,420
Interest on term deposits	1,884,300	1,591,102
Interest on loans to subsidiary companies	471,261	401,622
Interest on loans to landholding corporations	143,202	210,866
Interest on loan to Inuit Circumpolar Conference	1,416	1,929
Interest on loan to cooperative of Inukjuak	19,966	23,891
Net gain on marketable securities	124,391	331,740
Revenue from rental property	<u>63,140</u>	<u>57,878</u>
Total revenue	<u>6,954,947</u>	<u>6,886,095</u>
Expenditure:		
Operating expenses (Schedule I)	3,619,786	2,805,782
Interest - Government of Canada loans	115,625	115,625
Interest - bank loan	4,611	17,253
Fixed assets and artifacts acquired	172,208	56,778
Losses of subsidiary companies (note 5)	98,314	2,256,008
Amortization of investment in rental property	17,000	15,583
Distributions:		
Landholding corporations	1,000,000	1,000,000
Avataq	120,000	109,000
Aupaluk	<u>104,384</u>	<u>-</u>
Total expenditure	<u>5,251,928</u>	<u>6,376,029</u>
Excess of revenue over expenditure	<u>\$ 1,703,019</u>	<u>510,066</u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Statement of Beneficiaries' Equity

Year ended September 30, 1984
with comparative figures for 1983

	<u>1984</u>	<u>1983</u>
Compensation received:		
Balance at beginning of year	\$ 61,421,048	58,712,649
Amounts received during the year	<u>2,038,960</u>	<u>2,708,399</u>
Balance at end of year	<u>63,460,008</u>	<u>61,421,048</u>
Excess of revenue over expenditure (expenditure over revenue):		
Balance at beginning of year	(2,703,127)	(3,213,193)
Change during year, per accompanying statement	<u>1,703,019</u>	<u>510,066</u>
Balance at end of year	<u>(1,000,108)</u>	<u>(2,703,127)</u>
Funds invested in fixed assets and artifacts	<u>5,731,790</u>	<u>5,559,582</u>
Total beneficiaries' equity at end of year	\$ <u>68,191,690</u>	<u>64,277,503</u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Statement of Changes in Cash Balance

Year ended September 30, 1984
with comparative figures for 1983

	<u>1984</u>	<u>1983</u>
Source of cash:		
From operations:		
Excess of revenue over expenditure	\$ 1,703,019	510,066
Add (deduct):		
Losses of subsidiary companies	98,314	2,256,008
Net gain on marketable securities	(124,391)	-
Amortization of investment in rental property	<u>17,000</u>	<u>15,583</u>
Cash provided from operations	1,693,942	2,781,657
Decrease in receivables	651,926	1,474,185
Compensation received in cash	2,038,960	2,708,399
Other liabilities net of assets	637,874	430,266
Proceeds from sale of marketable securities	<u>4,242,760</u>	<u>-</u>
Total cash provided	<u>9,265,462</u>	<u>7,394,507</u>
Use of cash:		
Purchase of marketable securities	2,722,233	5,918,151
Investments in subsidiary companies	1,859,629	1,542,606
Purchase of municipal bonds	-	898,597
Purchase of rental property	-	92,050
Decrease in bank loan	<u>-</u>	<u>1,047,562</u>
Total cash used	<u>4,581,862</u>	<u>9,498,966</u>
Increase (decrease) in cash balance	4,683,600	(2,104,459)
Cash balance at beginning of year	<u>17,169,242</u>	<u>19,273,701</u>
Cash balance at end of year	\$ <u><u>21,852,842</u></u>	<u><u>17,169,242</u></u>

See accompanying notes to financial statements.

MAKIVIK CORPORATION

Notes to Financial Statements

September 30, 1984

The corporation was incorporated by a special act of the Quebec National Assembly on June 28, 1978 and is a non-profit corporation whose objects include the following:

- (a) to receive and administer the compensation payable to the Inuit in virtue of the James Bay and Northern Quebec Agreement ("Agreement").
- (b) to relieve poverty and promote the welfare and advancement of education of the Inuit.
- (c) to develop and improve the Inuit communities.
- (d) to assist in preserving the Inuit way of life, values and traditions.

(1) Significant accounting policies:

(a) Fund accounting:

The principles of fund accounting have been employed in the preparation of these financial statements as the most appropriate method of controlling and reporting on the activities of the corporation. The accrual method is followed for the recognition of revenues and expenditures.

(b) Accounting for investments in subsidiary companies:

The corporation's investments in its subsidiary companies are accounted for in the accompanying financial statements by the equity method under which such investments initially are recorded at cost and the carrying value of the investment is increased or decreased to recognize the corporation's proportionate share of the profits or losses of the subsidiary companies since incorporation. The corporation's share of the profits or losses of the subsidiary companies is included in the statement of revenue and expenditure.

(c) Fixed assets and artifacts:

Fixed assets and artifacts are recorded at cost. There is no provision made for depreciation in accordance with accounting principles generally followed by organizations using fund accounting.

(d) Investments in rental property:

The rental property is recorded at cost and amortized on a straight-line basis over 20 years.

(e) Foreign exchange:

Investments in foreign securities are translated to Canadian dollars at the approximate rate of exchange in effect at the date of their acquisition.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

(2) Receivables:

	<u>1984</u>	<u>1983</u>
Implementation funding due from federal government	\$ 64,611	-
Accrued interest	2,091,156	2,141,928
Subsidiary companies	194,905	86,299
Loans to landholding corporations	884,723	1,340,743
Loan to the cooperative of Inukjuak	278,958	350,000
Trade and employee accounts	211,122	325,591
Loan to Inuit Circumpolar Conference	-	100,000
Core funding due from federal government	-	32,840
	<u>\$ 3,725,475</u>	<u>4,377,401</u>

(3) Investment in securities:

Marketable securities:

	<u>1984</u>		<u>1983</u>	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
Stocks	\$ 2,525,434	2,383,753	1,983,083	1,971,575
Bonds	<u>2,533,581</u>	<u>2,389,475</u>	<u>3,935,068</u>	<u>3,944,127</u>
	5,059,015	<u>4,773,228</u>	5,918,151	<u>5,915,702</u>
Other securities, with no quoted market values:				
Municipal bonds	3,100,197		3,637,197	
Province of Quebec debentures	<u>30,394,774</u>		<u>30,394,774</u>	
	<u>\$ 38,553,986</u>		<u>39,950,122</u>	

The Province of Quebec debentures are non-transferable but may be redeemed at par at the corporation's option on November 1 either 5 years or 10 years before maturity. Interest on the debentures is due semi-annually. Details of the debentures are as follows:

10.55% due November 1, 1995	\$ 6,078,954
10.15% due November 1, 1996	6,078,955
9.80% due November 1, 1997	6,078,955
10.35% due November 1, 1998	6,078,955
12.00% due November 1, 1999	6,078,955
	<u>\$ 30,394,774</u>

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

(4) Fixed assets and artifacts, at cost:

	<u>1984</u>	<u>1983</u>
Land	\$ 168,270	168,270
Buildings	4,874,679	4,910,179
Office equipment and home furnishings	559,755	452,856
Vehicles	59,028	28,277
Artifacts	<u>70,058</u>	<u>-</u>
	<u>\$ 5,731,790</u>	<u>5,559,582</u>

(5) Investments in active subsidiary companies:

	<u>Investment in shares at cost</u>	<u>Advances</u>	<u>Accumulated losses to date</u>	<u>Total investment</u>
Air Inuit Ltd.				
1,166,008 common shares	\$ 3,936,008	1,892,158	(4,017,363)	1,810,803
2,770,000 preferred shares				
Kigiak Builders Inc.				
425,005 common shares	3,460,256	-	(3,188,884)	271,372
3,035,251 preferred shares				
Kigaaq Travel Agency				
1,000 common shares	25,000	-	(961)	24,039
24,000 preferred shares				
Sanak Maintenance Inc.				
330,000 common shares	<u>330,000</u>	<u>450,000</u>	<u>(1,189)</u>	<u>778,811</u>
	<u>7,751,264</u>	<u>2,342,158</u>	<u>(7,208,397)</u>	<u>2,885,025</u>

Investments in non-active subsidiary companies:

Kigiak Builders (Electrical) Inc.				
18,000 common shares				
600 preferred shares par value \$100	78,000	66,737	(141,035)	3,702
Imaqpiq Fisheries Inc.				
100,001 common shares	<u>100,001</u>	<u>4,736,684</u>	<u>(6,454,833)</u>	<u>(1,618,148)</u>
	<u>178,001</u>	<u>4,803,421</u>	<u>(6,595,868)</u>	<u>(1,614,446)</u>
Total	<u>\$ 7,929,265</u>	<u>7,145,579</u>	<u>(13,804,265)</u>	<u>1,270,579</u>

The accumulated losses reflect the subsidiary's losses from the date of incorporation to the subsidiary's most recent fiscal year ended prior to September 30, 1984, with the exception of Imaqpiq Fisheries Inc. which losses are recorded up to September 30, 1984.

On August 13, 1984 Air Inuit Ltd, Inuit Leasing Ltd. and Ayapiqvik Hotels and Restaurants Ltd. were amalgamated to form Air Inuit Ltd. The accumulated losses of Air Inuit Ltd. to date are based on the accumulated losses of the three amalgamated corporations to December 31, 1983.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

- (5) Investments in subsidiary companies (continued):
 Profit (losses) of subsidiary companies for their respective financial periods are as follows:

	Financial statement year end	1984
Air Inuit Ltd.	December 31, 1983	\$ 482,565
Inuit Leasing Ltd.	December 31, 1983	(376,301)(A)
Kigiak Builders (Electrical) Inc.	June 30, 1984	(1,372)(A)
Imaqpiq Fisheries Inc.	September 30, 1984	(136,539)(A)
Kigiak Builders Inc.	June 30, 1984	(64,517)
Kigaq Travel Agency	December 31, 1983	(961)(A)
Sanak Maintenance Inc.	June 30, 1984	(1,189)
		\$ (98,314)

(A) Losses for the period based on unaudited financial statements.

- (6) Loans payable:
 Loans payable to the Government of Canada are due December 31, 1984 with interest at a rate of 8 7/8% on \$500,000 principal and 7 1/8% on \$1,000,000 principal. The loans are secured by certain bank term deposits aggregating \$1,500,000.

- (7) Compensation:

- (a) The compensation under section 25 of the Agreement comprises the following:

Basic compensation by virtue of section 25.1:

(i) Inuit share of first \$75 million due from the Governments of Quebec and Canada	\$ 30,394,774
(ii) Inuit share of second \$75 million due from James Bay Energy Corporation	30,394,774
(iii) Due from Government of Canada for the Inuit of Port Burwell	525,428
	61,314,976

Compensation for future development by virtue of section 25.2:

Inuit share of third \$75 million due from Government of Quebec	30,394,774
	\$ 91,709,750

Of the compensation received pursuant to section 25.1, 75% must be invested in investments described in the schedule to the Agreement until October 31, 1987. This percentage declines to 50% on November 1, 1987 and remains at that level until October 31, 1997 when the restrictions cease. As at September 30, 1984 the amount of compensation so restricted was \$24,798,920.

MAKIVIK CORPORATION

Notes to Financial Statements, Continued

(7) Compensation (continued):

(b) Compensation not yet due:

The compensation not yet due is not recognized as an asset.

The terms of compensation to be received in cash are as follows:

During year ending September 30, 1985	\$ 1,236,808
---------------------------------------	--------------

Balance due to be determined with reference to installed generating capacity of hydro-electric generating stations built in the territory north of the 49th parallel of latitude after execution of the Agreement - payable over a maximum period to December 31, 1996

27,012,934

\$ 28,249,742

(8) Contingent liabilities:

(a) The corporation has guaranteed bank loans of the subsidiary companies up to \$15,000,000. As at September 30, 1984 these loans aggregated approximately \$8,115,000. The corporation has pledged its investment in Province of Quebec debentures as collateral for these guarantees.

(b) The corporation has guaranteed the bank loan of the cooperative of Povungnituk in the amount of \$125,000, to be reduced quarterly by the sum of \$3,125 and to be renewed annually.

(c) A claim for approximately \$400,000 has been made against the corporation. In the opinion of management and legal counsel it is unlikely that the corporation would sustain any loss from this claim.

(9) Related party transactions:

During the year the corporation entered into transactions with its subsidiary companies in the normal course of business as follows:

Charges from subsidiaries for services	\$ 276,000
Recovery of expenses from subsidiaries	701,500

(10) Subsequent event:

In November, 1984 the corporation purchased a transit house for Inuit patients for \$120,000.

MAKIVIK CORPORATION

Schedule of Operating Expenses

Year ended September 30, 1984
with comparative figures for 1983

	<u>1984</u>	<u>1983</u>
Salaries and benefits	\$ 2,165,818	1,601,140
Travel	407,733	341,929
Aircraft charter	232,751	182,654
Accommodation	269,019	213,803
Legal and other professional fees	601,011	631,720
Fishing equipment for research projects	397,199	148,929
Municipal services, utilities and maintenance of houses	50,295	282,585
Rent	23,258	22,838
Insurance	72,394	56,367
Telephone and telex	200,755	167,203
Office expense	33,056	32,226
Public relations	45,552	49,459
Library maps and publications	47,293	21,961
Printing and stationery	128,026	105,107
Photocopies and equipment rental	36,996	52,165
Automobile expenses	19,599	19,073
Freight	80,451	54,699
Provision for doubtful accounts	255,590	-
Repairs and maintenance - other	7,052	3,167
Training	364	(13,328)
Taxes	74,577	16,441
Relocation of employees	37,455	13,530
Recovery of expenses - other	(85,506)	(97,376)
Rental revenue	(288,189)	(216,150)
Recovery of expenses - Core Funding	(314,804)	(298,448)
Recovery of expenses - Research projects	(570,090)	(390,149)
Recovery of expenses - Implementation Funding	(240,850)	(235,000)
Recovery of expenses - Management fees	(184,775)	-
	<u>\$ 3,619,786</u>	<u>2,805,782</u>

ANNEX IV

MAKIVIK CORPORATION
INVESTMENTS
As of September 30, 1983

Term Deposits	\$ 16,499,679
Short Term Notes	462,310
Stocks	1,983,083
Bonds:	
Northern Municipalities	3,637,197
Government, guaranteed by	
Government, Corporations	<u>3,935,068</u>
	<u>7,572,265</u>
	<u>\$ 26,517,337</u>

MAKIVIK CORPORATION

Investment

As of September 30, 1984

Term Deposits		\$ 21,300,473.
Short term notes		500,000.
Stocks		2,620,746.
Bonds:		
Northern Municipalities	3,100,197	
Government, Province and guaranteed by government corporations	<u>2,533,581</u>	<u>5,633,778.</u>
		\$ <u>30,054,997.</u>

ANNEX V

ANNEX V

POPULATION OF INUIT COMMUNITIES OF NORTHERN QUÉBEC

<u>Community</u>	<u>Population</u>
Inukjuak	650
Kuujjuarapik	1,133
Povungnituk	752
Akulivik	241
Ivujivik	184
Salluit	518
Kangiġsujuaġ	279
Quaqtaġ	163
Kangirsuk	279
Aupaluk	102
Tasiujaġ	106
Kuujjuuaġ	1,068
Kangiġsualujaġ	333
Tagpangayuk	*
Umiujaġ	*

* Planned future Inuit communities.

ANNEX VI

COMPARISON OF NORTHERN AND SOUTHERN TRAVEL COSTS
 (as of October 1, 1983)

FROM:	TO:	Distance (One-Way)	Cost of One-Way Trip	Cost of Return Trip
Kuujjuag	Kangirsuk	147 miles	111.00	222.00
Kuujjuag	Tasiujaq	70 miles	71.00	142.00
Kuujjuag	Kuujjuarapik	424 miles	245.00	490.00
Kuujjuag	Salluit	409 miles	233.00	466.00
Kuujjuag	Kangiqsujuaq	224 miles	179.00	358.00
Kuujjuarapik	Inukjuak	278 miles	151.00	302.00
Montréal	Kuujjuag	998 miles	366.00 tax included	709.00
Montréal	Kuujjuarapik	763 miles	291.60	563.00
Montréal	Calgary	1,986 miles	399.00	775.00
Montréal	Vancouver	2,288 miles	469.00	915.00
Montréal	New York	338 miles	139.30	282.40
Montréal	Miami	1,800 miles	308.85	598.75
Montréal	London, England	3,252 miles	844.50	1,676.50

All fares are quoted with tax included.

ANNEX VII

Makivik Internal Control Procedures-
Investments in Bonds and Stocks and
Investment in Money Market Instruments

(1) Description:

Money market instruments include, but are not limited to, the following:

- (a) Treasury bills (Government of Canada and Provinces)
- (b) Government of Canada and Provinces bonds (three years and less)
- (c) Provincial and municipal short term papers
- (d) Corporate bonds (three years and less)
- (e) Bank certificate of deposits
- (f) Bank bearer discount notes (usually transferable)
- (g) Bank registered term notes
- (h) Bank swap deposit receipts
- (i) Trust companies certificate of deposits
- (j) Finance companies commercial papers

Items (a), (b), (c) and (d) can also be grouped with investment in bonds and stocks.

(2) Authority to buy and sell:

The authority to buy and sell money market instruments lies with the Treasurer and the Director of Finance.

During the Director of Finance's vacation or when the Director of Finance sees fit, Makivik's Chief Accountant has the authority to invest in money market instruments (e), (f), (g) for periods not exceeding ninety days. If the yield in items (a), (i) and (j) is attractive and the financial institution issuing the instrument is reputable and in a good financial position, Makivik's Chief Accountant after obtaining the authorization of Bernard Pennee is authorized to invest in such instruments.

(3) Purchases and sales:

All writings required in this section should be in pen. Corrections should be made by crossing (cancelling) the old data and rewriting the new data or information. Any form of erasing (other than crossing) is disallowed.

(A) Determination of cash available for investment:

Early every morning, Makivik's Chief Accountant will prepare a daily schedule of the cash available for investment. This daily schedule includes the following information:

1. Sources of cash:

This section shows the day's sources of cash. It includes items such as sale proceeds of securities, investments matured in the day, investment income, compensation monies and collection of loans to the subsidiaries.

2. Uses of cash before the day's investment in money market:

This section shows the cash payments due in the day. It includes items such as payments for investment purchased in previous days, cash required for Makivik operations, loans to subsidiaries and repayment of our group of companies' bank loans.

(B) Yield on investment (interest rates):

Early every morning Makivik's Chief Accountant shall obtain by telephone from different financial institutions the money market instruments that they are offering and the interest rates thereon. The information is recorded in the same daily schedule of "Cash available for investment" mentioned above in (3) (A).

In addition, on a regular basis during the day, the Director of Finance and/or Makivik's Chief Accountant contact the financial institutions (in many cases the financial institutions contact Makivik) for any special offerings of investment opportunities.

(C) Verification of the schedule "Cash Available for Investments":

Makivik's Chief Accountant shall present the schedule mentioned in (3) (A) and (3) (B) above to the Director of Finance who will verify the information related to sources and uses of cash and marks indicated by a "K" will be placed against the data.

(D) Decision for investments:

After completing step (C) above, the Director of Finance shall make the decisions as to which instruments to invest in. Makivik's Chief Accountant will immediately relay to and confirm with the financial institutions the Director of Finance's decisions using the telephone in the latter's office, and in his presence, in case the interest rate changes, the Director of Finance can revise his decisions.

Once the above is completed descriptions of each investment instruments are written in the same schedule and the Director of Finance will initial his approval against each instrument.

If investments are bought or sold during the day, the Director of Finance shall prepare and initial for approval all the pertinent data related to the investment instruments.

The documents originated in this step serve as the authorization ("Purchase Order" or "Cash Receipt Advice") to the senior controller to issue a cheque to pay for the investment or to fill a bank deposit slip for cash receipts to be deposited in Makivik's general bank account.

(4) Payment for purchases of investments, collections of sale proceeds or investment at maturity:

(A) Payment for purchases:

The documents initiated in step (3)(D) initialled by the Director of Finance for approval shall serve as the authorization document for the Accounting Department to issue a cheque to pay for the purchase of the investment instrument.

The Senior Controller should be the one who approves the cheque voucher.

Priority should be given to process the issuance of the cheque as soon as possible for delivery to the financial institution prior to 1:00 p.m. the same day.

(B) Collection of sale proceeds or investment at maturity:

The schedule mentioned in (3)(A) will provide the sources of cash. Bank deposit slips should be prepared. A special bank deposit book should be kept to handle the transactions related to investments.

The Senior Controller should compare and initial the bank deposit slips with the schedule stated above "(3)(A)".

(C) Compensation of payments against receipts:

Sometimes a financial institution will owe Makivik money for a matured money market instrument and also Makivik owes the same institution money for purchased financial instrument (i.e. Due certificate of deposit plus interest is reinvested in the same institution). In such cases Makivik's Chief Accountant may decide to contra-account the two transactions and consequently no cheque issuance or bank deposit slips are necessary. This should be explained in writing in pen in the schedule mentioned in (3)(A) and the Senior Controller's initial is required for approval.

(D) Delivery:

All deliveries of cheques, cash receipt deposits and certificates of deposits are handled by internal messenger.

1. Purchases:

Cheques are delivered to financial institutions against one of the following documents.

- a) Certificate of deposits or in case the certificate is issued from Toronto, a letter from the financial institution for receipt of the payment and purchase of the certificate of deposit.
- b) Written confirmation of the transaction and a receipt:

The majority of purchases of money market instruments are made through brokers (members of the Investment Dealer Association and the Canadian Stock Exchanges); therefore, a written confirmation is issued by the broker. Due to the fact that almost all of the money market transactions are settled the same day or the day following the purchase and that it takes a few days for the written confirmation to be received by Makivik, a written receipt should be prepared by Makivik and signed by the broker indicating the receipt of our cheque and description of the instrument we are buying.

The delivery of our cheque and the signature of the broker is handled through the brokers "Cage Department".

2. Sale and collection of matured investments:

Makivik's Chief Accountant will give our internal messenger the sold or matured term deposits to deliver to the financial institutions against collection of cheques to deposit in Makivik's general bank account for which the bank deposit slips have been prepared as explained in (4) (B).

(5) Custody of the investment instruments:

Except for certificates of deposits, money market instruments are usually for very short periods usually around 6 months or less.

Investment instruments are kept with the brokers except for certificates of deposits and bank registered term notes which are kept in Makivik's safe with Makivik's Chief Accountant.

Only the Senior Controller, Makivik's Chief Accountant and the Personnel Manager know the combination to the safe.

The safe should always be kept locked.

(6) Accounting records and reconciliations:

(A) Detailed investment records:

Makivik's Chief Accountant keeps detailed investment records by type of investment instrument and financial institution. Entries in these records are posted and checked daily and initialled by the Director of Finance. The receipts obtained in (4)(D)b) are to be kept in these files. Posting in these files are made from the schedule indicated in 3(A).

(B) Listings of term deposits and commercial papers:

At the end of each week a separate listing of term deposits and a separate listing of commercial papers is to be prepared by Makivik's Chief Accountant, balanced with the schedule of running balance of the General Ledger term deposit account (see Item (C) below), and checked and initialled by the Director of Finance.

Also at the end of the month a listing should be prepared, same way as in the previous paragraph.

(C) Schedule of the running balance of the general ledger term deposit account:

A monthly schedule is to be maintained and updated on a daily basis by Makivik's Chief Accountant reflecting the daily transactions in term deposits.

(D) Monthly reconciliation and physical examination of term deposit certificates:

The monthly schedules mentioned in (6)(B) and (6)(C) will be compared and balanced with the accounts of term deposit General Ledger book by the Senior Controller who should initial the schedules to indicate that he has carried out this function.

In addition, he should compare the balance of the term deposit with the monthly schedule of "venture capital".

Term deposit certificates should be physically examined by the Senior Controller and compared to the monthly schedule mentioned in (6)(B). The Senior Controller should make sure that all certificates of term deposits in the schedule have been physically examined.

(E) Money market instruments other than term deposits:

MakiviK's Chief Accountant is to prepare a monthly listing which should be checked and initialled by the Senior Controller who should also agree with the total to the respective accounts in the General Ledger. As the securities are kept with the brokers, no physical examination is required, rather the Senior Controller should compare and clear all the investment instruments to the "Security Position" section in the broker's monthly statements.

INTERNAL CONTROL PROCEDURES

INVESTMENT IN BONDS AND STOCKS

(1) Authority to buy and sell:

The authority to buy and sell is given by the Board of Directors of Makivik to the Treasurer and the Director of Finance who shall carry out this function in accordance to the Investment Schedule in Makivik's Charter of Incorporation.

In addition, the Treasurer and the Director of Finance shall abide by the directions set up by the Investment Committee which should be evident from the Minutes of their meetings.

(2) Purchase and sale order:

The Director of Finance is to prepare an order sheet for the day when he places orders with brokers, showing the description of the security, the quantity and the unit price for which the order was placed. Any changes should be shown and initialled by the Director of Finance.

Once the execution of the orders are confirmed by the broker, the Director of Finance will write down on his order sheet such confirmation.

Orders should always be placed for one day, i.e. if such orders are not executed in the day they are automatically cancelled by the broker.

If no order is executed, the order sheet should be filed in the stock file kept by the Director of Finance.

The order document should be signed by the Director of Finance indicating his approval.

Order sheets showing "Execution confirmed with Brokers" is sent to Makivik Corporation's Chief Accountant to initiate issuance of cheques for purchases of securities or the receipt of cash for sale of securities.

Photocopy of the order sheets containing "Execution confirmed with Brokers" should be kept with the Director of Finance in his "Stock" file.

(3) Calculations - the cost of purchase - proceeds of sale and comparison with broker's written confirmation:

(A) Calculations:

Using the order sheets received from the Director of Finance, Makivik's Chief Accountant will calculate the purchase price, and accrued interest in case of bonds, commission and the total purchase cost or the net sale proceeds.

The commission calculations are based on predetermined rates agreed upon by the Director of Finance with each broker.

Accrued interest in case of bonds is calculated as follows (interest payable in case of purchases. Interest receivable in case of sale):

$$\begin{array}{l} \text{Number of days since the last coupon date to the day} \\ \text{prior to the settlement date X face value of bonds} \\ \text{X rate} \\ \hline \text{365} \end{array}$$

(B) Makivik's Chief Accountant should agree with the calculation and the details of the securities per the order sheet with the broker's written confirmation. Sometimes, broker's written confirmation is not received before the settlement date (there is a period of 5 days between the transaction date and the settlement date). In this case, Makivik's Chief Accountant should request from the brokerage house in Montreal a photocopy of the written confirmation prior to processing the documents for payments or collection.

(C) Approval of brokers written confirmation and calculations:

Makivik's Chief Accountant will present the documents mentioned in (3)(A) and (3)(B) above to the Director of Finance for review and approval.

(4) Payment for purchases and delivery of cheques:

The documents generated in section (2) and (3) are the authorization to the Accounting Department to process the payment for purchased securities. Cheque voucher should be approved by the Senior Controller.

Issued cheques should be delivered to the brokers using Makivik internal messenger services.

Makivik's Chief Accountant is the authorized person to identify the date the

cheque should be released to the brokers. The reason being that Makivik's Chief Accountant is able to negotiate with brokers a delay to pay for a few days beyond the settlement date which means an additional income for Makivik to invest the cash for those additional days.

Because securities are registered by brokers in the name of Makivik and are sent at a later date to the bank, there are no securities to pick up against the delivery of cheques.

(5) Cash receipts for securities sold:

The documents indicated in sections (2) and (3) above will initiate the data for securities sold and the sale proceeds. Because the securities are kept in safekeeping in the bank, copy of the confirmation of the sale order will be sent by the broker to the bank. Authorized power of attorney and transfer documents will be signed by the authorized personnel in Makivik and delivered to the bank before the settlement date. At the settlement date the bank will deliver the securities sold upon receipt of the cash proceeds from the sale.

(6) Gain or loss on disposal of securities:

The calculations done in Section (3) (A) will show the gain or loss on disposal of securities.

(7) Custody of the securities:

All purchased securities are to be registered by the broker in the name of Makivik and are to be delivered to the bank for safekeeping in Makivik's name.

(8) Accounting records, analysis and reconciliations:

(A) Detailed records of securities:

Makivik's Chief Accountant shall keep a sheet for each type of security showing the pertinent data as to acquisition, sales, income (dividend or interest) and gains or losses on sale or in collection at maturity including cash disbursement and receipt details and the number of days related to the interest calculation.

The posting to these records is done daily from the documents prepared in sections (3) and (4) above.

(B) Broker's files:

Makivik's Chief Accountant keeps a file for each broker which contains the documents mentioned in (3) and copies of the cash documents mentioned in (4).

In addition broker's monthly statements are kept in this file after the reconciliation described in (G) below.

(C) Running schedules for stocks and bonds:

Because the month-end balances in the general ledger are known only on approximately the 15th to the 20th of the following month, while for management decisions investment in bonds and stocks should be known every day, therefore two running schedules should be kept in the accounting using the actual dates of the cash receipts and disbursement. These running schedules will show at the end of every day the balance of investment in each of the bonds and stocks.

(D) Monthly listings of bonds and stocks:

At the end of each month, the accounting department should produce a schedule for each of the bonds and the stocks from the detailed records of securities mentioned in (A) above.

The schedule of stocks should show the closing market value at the end of the month.

(E) Reconciliation of "D" and "C":

The Senior Controller should verify the schedules, compare the total to the balances shown in the running schedule mentioned in (C) above and he should initial the schedules to indicate that he carried out this procedure.

The monthly listings of bonds and stocks should be reviewed and initialled by the Director of Finance.

(F) Reconciliation of/with the General Ledger:

Upon the monthly closing of the General Ledger, a reconciliation should be made in writing of the stocks and bonds accounts with the running schedule mentioned in "C" above.

The reconciliation sheets should be kept in a file called "Reconciliation of the G/L stock and bond accounts with the running schedule of bonds and stocks".

These reconciliations should be reviewed and initialled by the Senior Controller.

(G) Reconciliation with the broker's monthly statements including quantities and the bank's statements of securities in their safekeeping:

The Senior Controller or the Director of Finance should review and initial the broker's monthly statements. Any review notes should be cleared by Makivik's Chief Accountant.

As the securities are kept with the banks, the Senior Controller should compare and clear the listings of securities mentioned in (D) above to the securities position shown in the bank's statements.

- (H) Monthly dividend, coupons and maturities due for collection:

At the end of each month, Makivik's Chief Accountant will prepare three schedules. Once for the dividend, a second for coupons due for collection and a third for securities maturing during the following month.

These schedules should be reviewed and initialled by the Director of Finance. Follow up collection and checking to the schedule of cash available for investment "See investment in money market instruments" should be done by Makivik's Chief Accountant and Senior Controller.

- (I) Periodic checking of the detailed records of securities:

The Director of Finance and/or the Senior Controller will carry out a spot check of the records of securities using the different sources indicated in these procedures.

ANNEX VIII

Resolutions supported Makivik's proposal will be forwarded as soon as we receive them from the communities.