

MAA-NULTH FIRST NATIONS SIDE AGREEMENT SUMMARY

KA:'YU:'K'T'H'/CHE:K'TLES7ET'H' FIRST NATION: OWN SOURCE REVENUE AGREEMENT

Purpose

The Own Source Revenue (“OSR”) Agreement (“Agreement”) sets out how Ka:'yu:'k't'h'/Che:k'tles7et'h' First Nation (“KC”) will repay to Canada some of the funding it receives for agreed-upon programs and services. The repayments apply to new revenue sources developed by KC, such as tax revenues and income from business and property. The Agreement provides the details of how the repayments will be calculated.

How the Agreement Works

- *Parties:* The Parties to the Agreement are KC, Canada and British Columbia.
- *Term:* The Agreement is renewable twenty-year agreement that begins on the Effective Date.

At least eighteen months before the expiration of the Agreement, the Parties will negotiate and attempt to reach a new agreement.

- *Timing:* First Nations are exempt from any payments for 5 years after the Effective Date. Payments for the next 15 years will be phased in gradually if KC has any new revenues that are subject to the Agreement.
- *Categories of Revenue:* KC's OSR is the sum of the following categories of revenue (“Categories of Revenue”):
 - tax revenues (property taxes and, subject to tax agreements with Canada and BC, GST, income taxes and PST);
 - income from businesses and property;
 - revenue from fees and charges (such as permit fees); and
 - the non-exemption portion of the investment income earned on capital transfer and resource revenue sharing funds.
- *Exclusions:* Certain revenues will not be included in calculating KC's OSR, including:
 - gifts and donations;
 - any funding for programs and services from Canada or BC;
 - specific claim settlements;
 - investment income earned on time limited (lump-sum) funding which is spent on activities described in the Fiscal Financing Agreement;
 - capital transfers payments; and
 - resource revenue sharing payments.

- *Annual Basic Exemption:* The Agreement includes an annual basic exemption that reduces the amount that KC must repay.
- *Limits:* There is a limit in the Agreement which ensures that Canada will always pay at least 25% of the funding for agreed-upon programs and services no matter how much new revenue or income KC creates.
- *Annual Reports:* Within 120 days after the end of each fiscal year, KC will produce an OSR annual report for Canada and BC setting out KC's OSR for each of the Categories of Revenue. KC's OSR annual report will be used in calculating Canada and British Columbia's transfer payments under the Fiscal Financing Agreement.
- *Effect on Transfer Payments:* As KC's OSR increases over time, KC will contribute more to the cost of their programs and services, and Canada and British Columbia's transfers will be correspondingly reduced.