



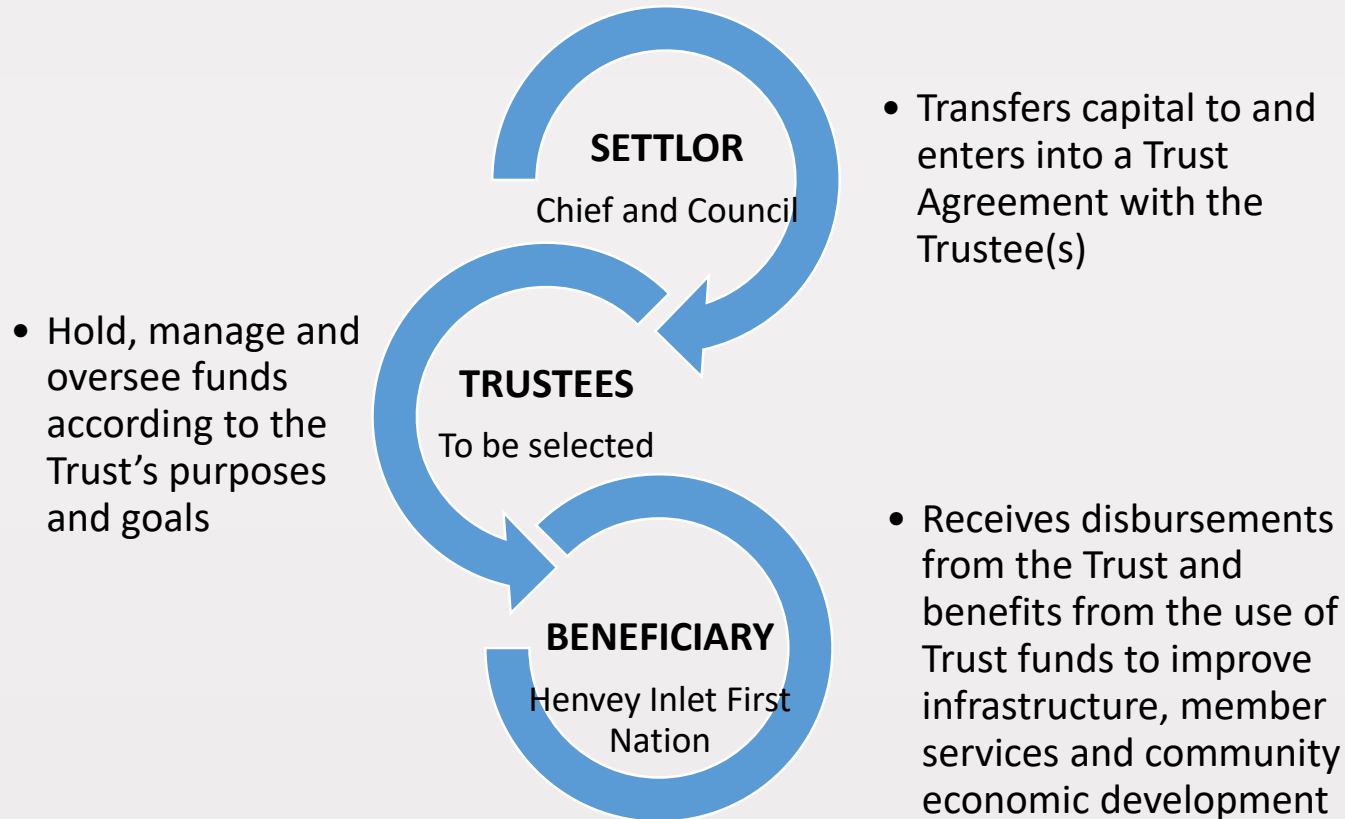
HIFN WINDFARM LEGACY TRUST

BACKGROUND

20 October 2020

What is a Trust?

- A trust is a legally distinct entity created by a binding agreement between a settlor and the trustee regarding the use of assets



Windfarm Income Projections

Two Windfarm Income Streams

1. PROFITS FROM ENERGY SALES

- Nigig receives $\frac{1}{2}$ of the windfarm's net profit from energy sales, pays it to HIFN
- \$15M-\$31M per year (depends on wind power production)

2. HIW RENT

- The windfarm project pays rent directly to HIFN
- \$6M-\$8M per year (depends on wind power production)

How will the funds be used?

HIFN's Objectives for Use of the Windfarm Income

1. IMPROVE QUALITY OF LIFE FOR MEMBERS IMMEDIATELY

- Monthly member distributions
- Enhanced community facilities, programs and services

2. SAME BENEFITS FOR FUTURE GENERATIONS

- After the energy sales contract ends in 2039, continue member and community support indefinitely, if possible

Why Use a Trust?

- A trust can preserve and grow capital, and spread its benefits of over multiple generations:
 - Trust can only use its assets for the benefit of the First Nation and its members
 - Provisions of the Trust Agreement can prevent excessive withdrawals or cashing it out before the Trust's mandate is fulfilled
 - Investment can produce significant asset growth, enabling greater benefits for the beneficiary group over a longer time-frame
 - Tax efficient
 - Can provide protection against future “own source revenue” clawbacks.

What assets will be settled on the Trust?

- **Nigig income stream:**

- Income received by HIFN from Nigig Power Corporation will be settled on the Trust
- Land law will ensure the Nigig payments cannot be diverted

- **Additional settlements over the life of the Trust:**

- Annual surpluses of windfarm rent may be added to the trust
- Trust will be able to accept other capital contributions:
 - Future power sales agreements
 - Land claim and other settlements

What happens to the settled assets?

1. SAVINGS PHASE, 2020-2039

- Income received by the Trust from Nigig will be used to fund:
 - Distributions to members
 - Investment portfolio – target approx. \$635M
- Strict limits on withdrawals from the trust

2. FULL SUPPORT PHASE, 2039 →

- Both income streams from windfarm end, may or may not be replaced by new power sales contract (lower revenue)
- Trust Investment income (and windfarm income, if any) used to fund
 - Distributions to members
 - HIFN facilities, operations, programs and services

Distributions to Members

1. SAVINGS PHASE, 2020-2039

- Quarterly payments to each member from Trust capital:
 - Adults: \$500/mo from age 18 to 60
 - Seniors: \$600/mo commencing at age 60
 - Minors: \$100/mo, payable at age 21 or age 18 with a high school diploma or GED
- May be minor adjustments up or down every 5 years based on
 - Energy sales profits
 - Progress towards 2039 savings target
 - Membership growth

Distributions to Members (cont'd)

2. FULL SUPPORT PHASE, 2039 →

- Target: same payments to each member as during FIT contract, or better
- May adjust monthly amounts up or down, depending on:
 - energy sales profits/rent under a new power purchase agreement (if any)
 - actual Trust portfolio size and earnings
 - membership growth
 - funds required to support enhanced HIFN programs, facilities and services

Clawbacks?

ODSP and Ontario Works

- Both programs permit members to receive up to \$10K/year with no claw-back under current policies

Income Tax

- Distributions should be tax-exempt for all members on and off reserve

Employment Insurance

- Distributions should not affect EI payments

Checks and Balances on Withdrawals

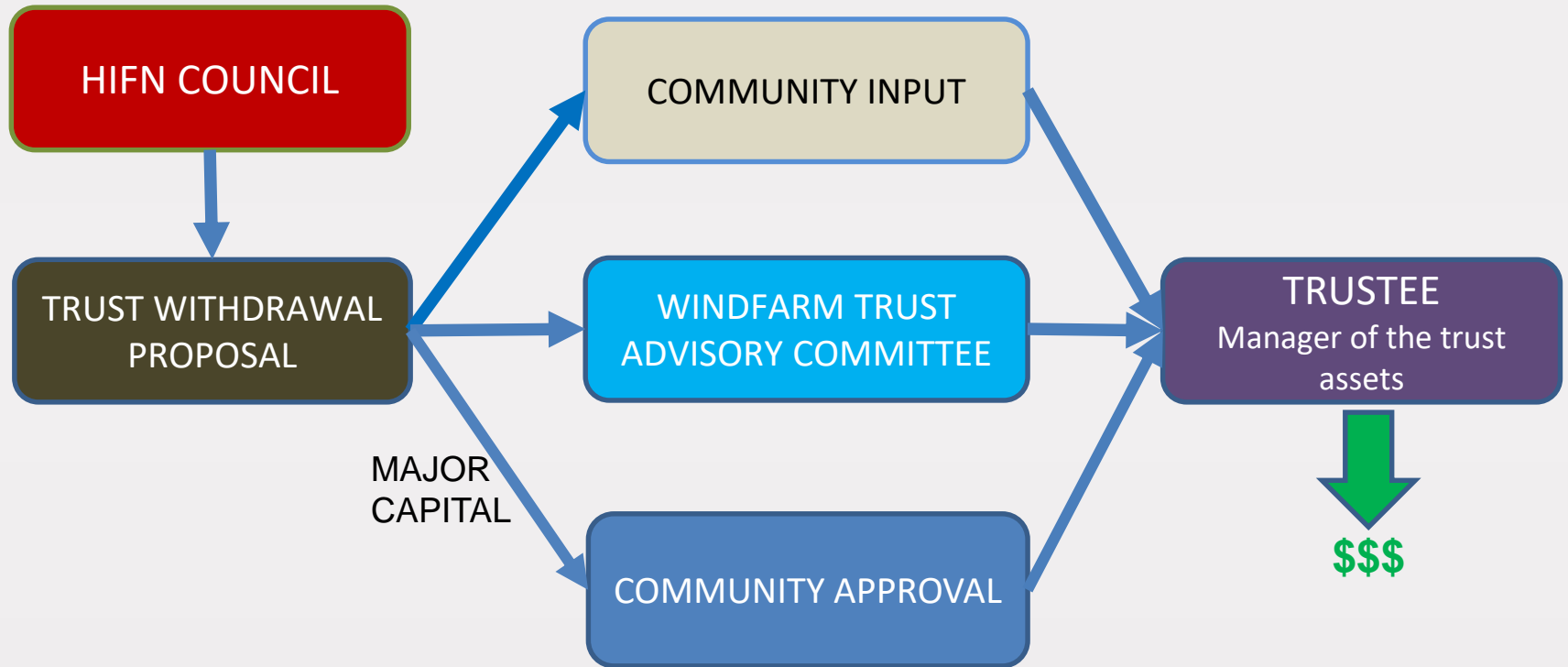
Windfarm Trust Advisory Committee

- If Council wants to submit a Withdrawal Proposal or replace Trustees, it will appoint a special advisory committee from members who reside on and off reserve
- Withdrawal proposal submitted by Council to the Trustees must have:
 - Windfarm Trust Advisory Committee's endorsement, or
 - Community Consultation (minor capital encroachment <5%)

Major capital withdrawal proposals

- Special rule applies if withdrawal proposal >5% of Trust's capital:
 - Unanimous Band Council Resolution
 - Community approval vote (double majority rule)

Trust Withdrawal Proposals



Board of Trustees

Five Member Board

- **2 COMMUNITY TRUSTEES**
- **2 TRUSTEES WITH LEGAL/FINANCIAL EXPERTISE**
- **1 CORPORATE TRUSTEE**
- Limit one trustee from any one immediate family
- 3 year overlapping terms, maximum 2 consecutive terms (except for corporate trustee)
- Selected by Council from slate of candidates prepared by the Trust Advisory Committee and the Trustees jointly

Board of Trustees, cont'd

Community Trustees

- Qualifications
 - » High school diploma or better
 - » Financial experience
 - » Not an undischarged bankrupt
 - » Criminal records check
 - » Completion of NATOA trust officer training or equivalent within six months of appointment
 - » Members of Council, the Windfarm Trust Advisory Committee and employees of HIFN and the Trust disqualified

Board of Trustees, cont'd

Legal/Financial Experts and Corporate Trustee

- Qualifications
 - » MBA, law degree or equivalent
 - » Certification as trust expert by accredited institution
 - » Extensive trust management experience
 - » Criminal records check
 - » Members of Council, the Windfarm Trust Advisory Committee and employees of HIFN and the Trust disqualified

Next Steps

Ballot Package Mail-out – Wednesday, 21 October 2020

- » Draft Land Law, Draft Trust Settlement Agreement, backgrounder, voting instructions, mail-in ballot

Community Meeting #5 – Monday, 02 November 2020

- » Final pre-vote community review of financial modelling, Draft Windfarm Trust Land Law and Trust Settlement Agreement

Community Approval Vote – Sunday, 13 December 2020

Enactment of Land Law and Establishment of the Trust – Tuesday, 15 December 2020

- » Open session of Council to enact the Henvey Inlet First Nation Legacy Trust Land Law