



HENVEY INLET FIRST NATION

HIFN WINDFARM TRUST COMMUNITY MEETING #1

Sunday, 09 August 2020

2:00 pm

Attend in-person, by computer or by telephone

In person: At the Firehall

By computer: Click this live link:

<https://us02web.zoom.us/j/87043746191>

**If you don't have Zoom on your computer, the link will
install it for you – just accept the installation**

By phone: Dial any one of the following numbers:

1 408 638 0968

1 646 876 9923

1 301 715 8592

1 312 626 6799

1 346 248 7799

**No password required to join the meeting by computer
or phone.**

Zoom Meeting ID: 870 4374 6191.



HENVEY INLET FIRST NATION

**Materials for
HIFN WINDFARM TRUST
COMMUNITY MEETING #1**

Sunday, 09 August 2020

2:00 pm

- 1. Financial Projections - Crosbie & Co.**
- 2. Windfarm Trust Proposal -- Fogler Rubinoff, LLP**



HENVEY INLET FIRST NATION

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1. Financial Projections - Crosbie & Co.

PRESENTATION TO:



HENVEY INLET WIND FARM FINANCIAL PROJECTIONS

PRIVATE & CONFIDENTIAL

AUGUST 9, 2020

INTRODUCTIONS



Richard Betsalel
Managing Director

Office: 416-362-4882
rbetsalel@crosbieco.com

- Over 20 years of investment banking experience
- Joined Crosbie in 2003
- Lead roles on First Nations Bank, Chiefs of Ontario among others
- Previously with Yorkton Securities (now Macquarie Capital Canada) and the Bank of Nova Scotia
- Schulich School of Business (MBA), McMaster University (B.Sc.)



M. Junaid Zia
Vice President

Office: 416-362-0684
mjzia@crosbieco.com

- Over 10 years of investment banking and consulting experience
- Joined Crosbie in 2014
- Involved in multiple transactions and advisory roles
- Previously with Deloitte
- University of Toronto (B.Sc. in Financial Economics with high distinction)
- Chartered Financial Analyst

AGENDA

This presentation will cover the following key areas:

1. Summary of the projected economics to the Nation over the life of the Project
2. Projected growth of the Trust over time
3. Withdrawal/spending plan
4. Savings required to support future withdrawal/spending plan
5. Sustainability of Member Distributions
6. Community decisions for consideration

PROJECT PRODUCTION ESTIMATES

- To assess the Project economics, we have relied on various production estimates developed by Pattern Energy based on wind study data:

P50 – ‘Average’	P90 – ‘Conservative’
<ul style="list-style-type: none">• Estimated annual ‘average’ level of production• 50% probability of reaching or exceeding this production level in any given year• Also implies that there is a 50% probability that the estimate may not be achieved in any given year	<ul style="list-style-type: none">• Very conservative annual production estimate• Production level that is expected to be exceeded 90% of the time• 10% probability that the estimate may not be achieved in any given year

PROJECT ECONOMICS FOR THE NATION

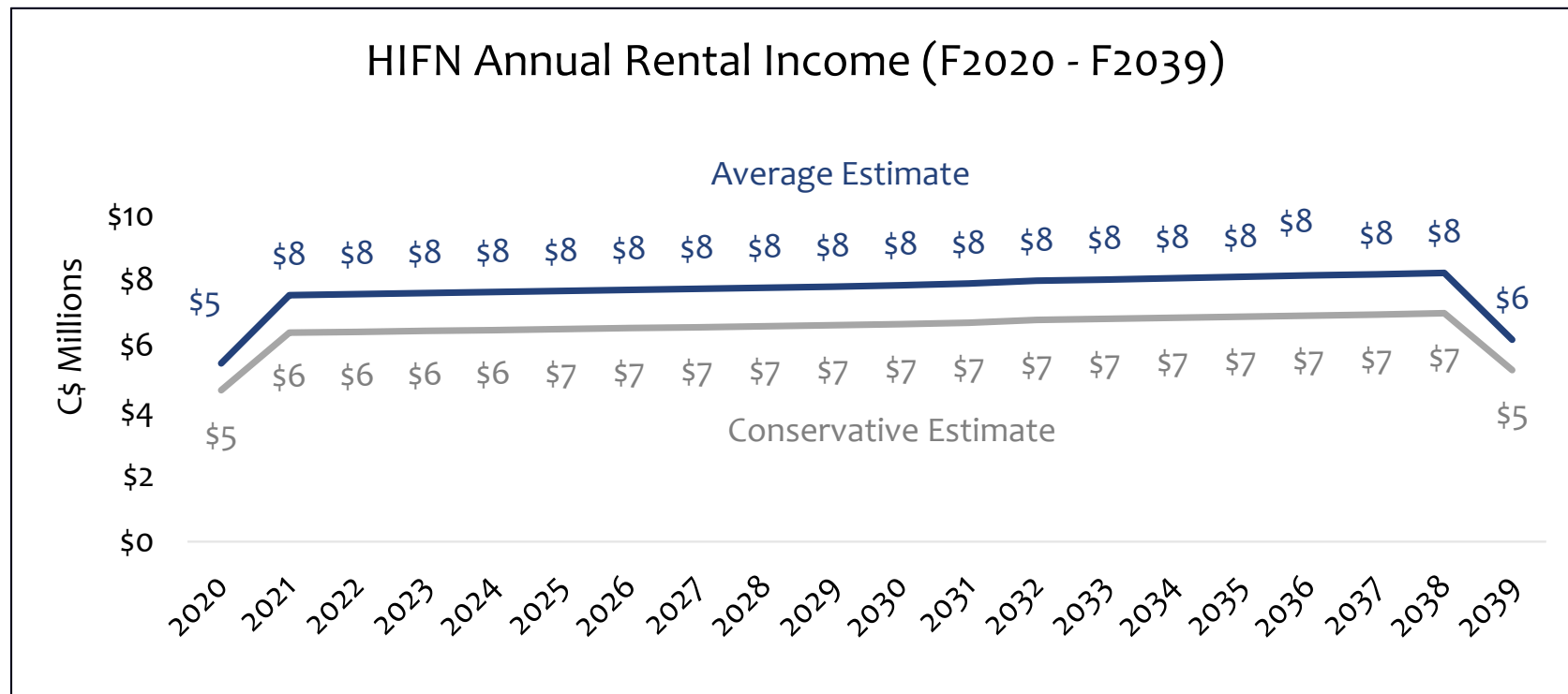
Key Assumptions	Notes
Forecast cashflows from the Project	<ul style="list-style-type: none"> Relied on the forecast model developed by Pattern Energy
Expiry of PPA post 2039	<ul style="list-style-type: none"> Did not include any forecasts beyond expiry of the PPA in 2039 Any post-PPA cash flows are highly uncertain Any post-PPA revenues would likely be significantly reduced and could possibly be zero
FNFA loan refinancing	<ul style="list-style-type: none"> Assumed that the loan balance of \$62M will be refinanced in 2030 at 4.0% interest rate and will be fully repaid by 2039
Rental income	<ul style="list-style-type: none"> All rental income from the Project will be used to fund the Nation's operating budget
Project debt refinancing	<ul style="list-style-type: none"> Have not factored any potential refinancing of the Project debt in the forecast
Member Distributions	<ul style="list-style-type: none"> Assumed distributions of \$500 per month per member
HIFN Membership	<ul style="list-style-type: none"> 1,050¹ members currently; population growth of 1.5% per annum; 25% of the population is minors
Taxes	<ul style="list-style-type: none"> No taxes payable by the Nation in respect of the Project

(1) Estimated number of members assuming an increase in membership due to new eligibility criteria

PROJECT ECONOMICS FOR THE NATION

CASH INFLOW FROM RENT/ROYALTY (“RENTAL INCOME”)

PRODUCTION ESTIMATES	ANNUAL CASH INFLOW/ RENTAL INCOME	CUMULATIVE RENTAL INCOME (2020-39)
Average	~\$8M	~\$150M
Conservative	~\$6.5M	~\$130M

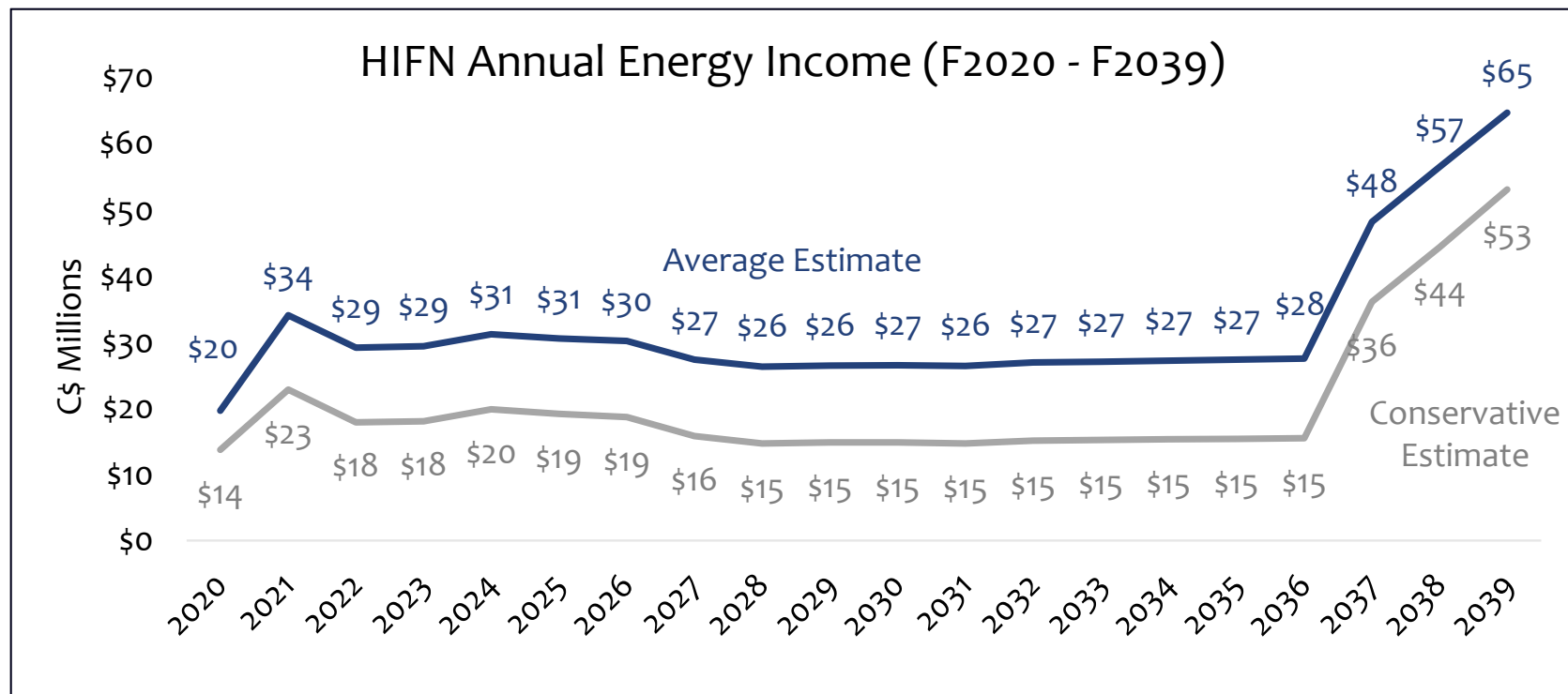


**Rental income will be used to fund any deficits in the Nation’s operating budget.
Any rental income remaining will be directed into the Investment Trust**

PROJECT ECONOMICS FOR THE NATION

CASH INFLOW FROM POWER PRODUCTION (“ENERGY INCOME”)

PRODUCTION ESTIMATES	ANNUAL CASH INFLOW / ENERGY INCOME	CUMULATIVE ENERGY INCOME (2020-39)
Average	\$26M to \$31M	~\$640M
Conservative	\$15M to \$20M	~\$415M



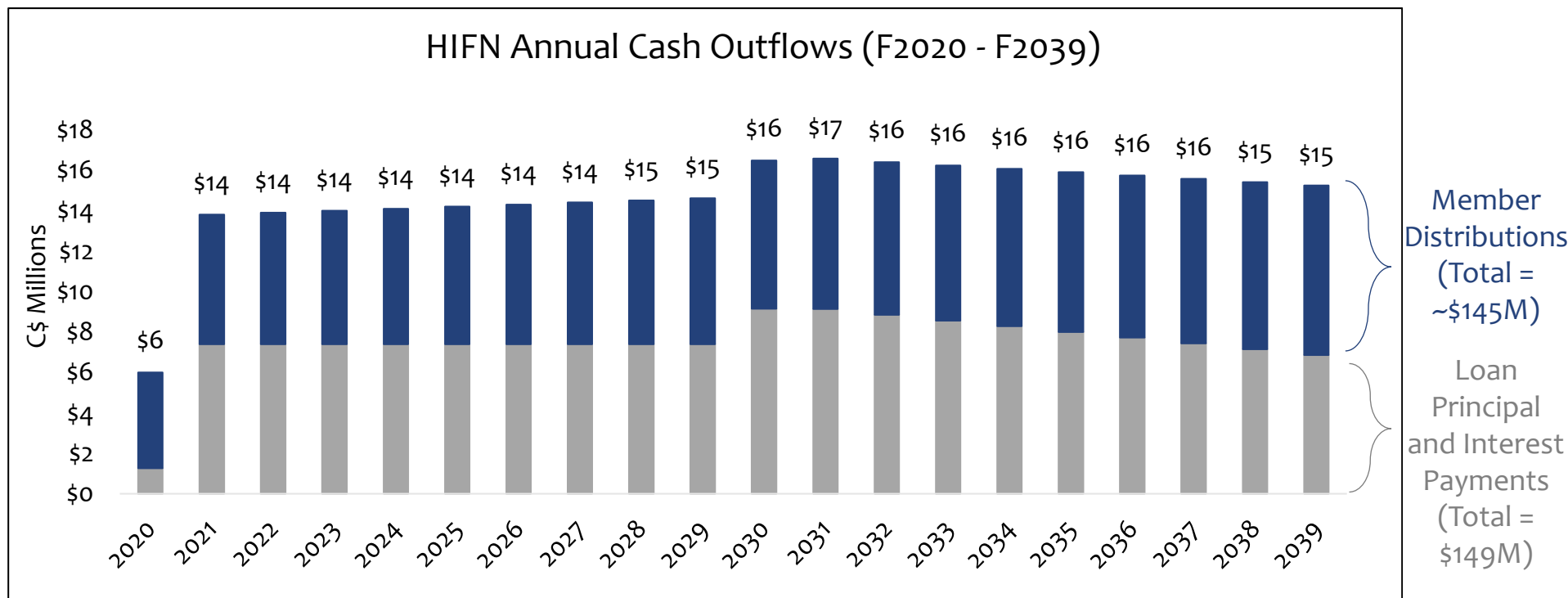
Energy Income increases dramatically in 2037 once the debt at the Project level has been fully repaid

PROJECT ECONOMICS FOR THE NATION

CASH OUTFLOW

TIME PERIOD	+ LOAN PAYMENTS (PRINCIPAL AND INTEREST)	+ ANNUAL MEMBER DISTRIBUTIONS	= ANNUAL CASH OUTFLOW
2020 – 2029	\$7.5M	\$6.5M to \$7.5M	= \$14M to \$15M
2030 – 2039 ¹	\$7.0M to \$9.0M	\$7.5M to \$8.5M	= \$15M to \$17M

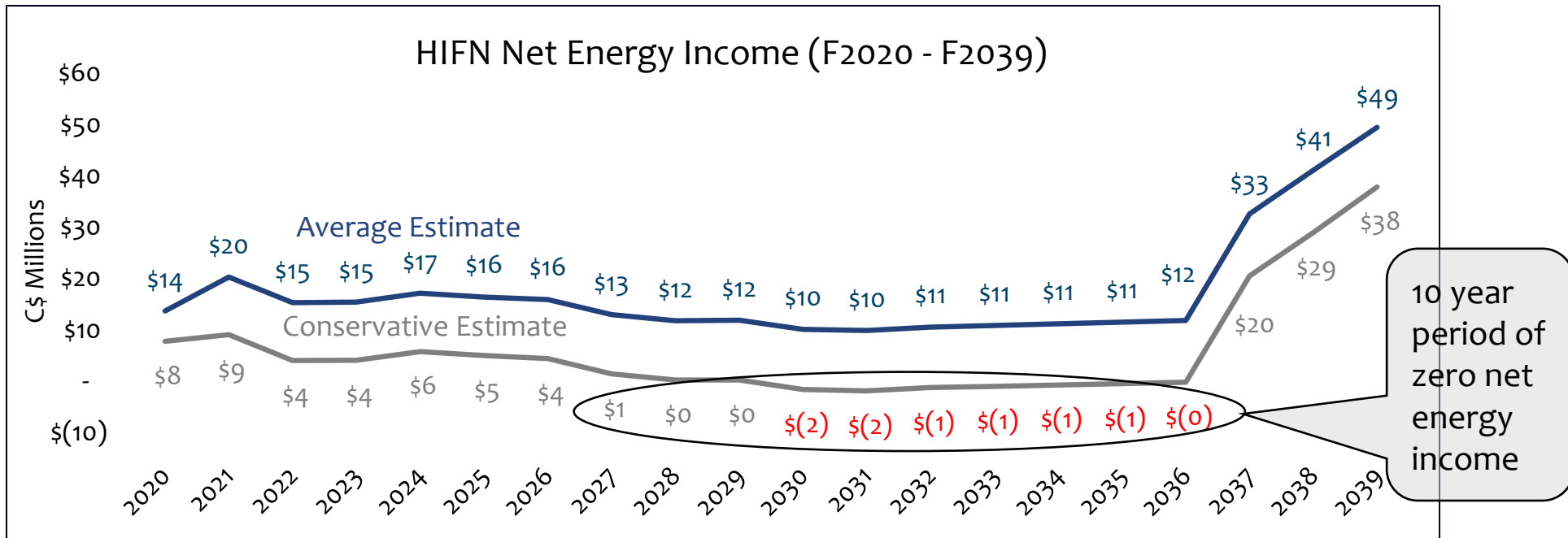
1. Assumed that the FNFA loan balance of \$62M will be refinanced in 2030



PROJECT ECONOMICS FOR THE NATION

NET ENERGY INCOME (CASH INFLOWS MINUS CASH OUTFLOWS)

PRODUCTION ESTIMATES	ANNUAL CASH INFLOW <i>(Energy Income)</i>	- ANNUAL CASH OUTFLOW <i>(Debt Repayment + Interest + Member Distributions)</i>	= ANNUAL NET ENERGY INCOME	CUMULATIVE NET ENERGY INCOME <i>(2020-39)</i>
Average	\$26M to \$31M	\$14M to \$17M	= \$12M to \$17M	~\$350M
Conservative	\$15M to \$20M	\$14M to \$17M	= (\$2M) to \$5M	~\$120M

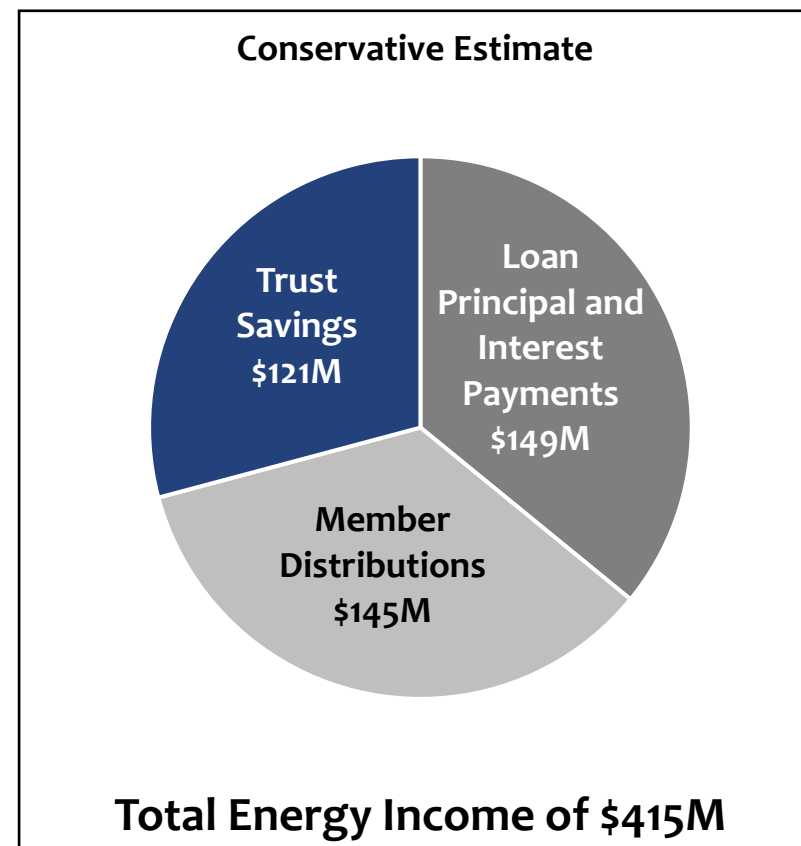
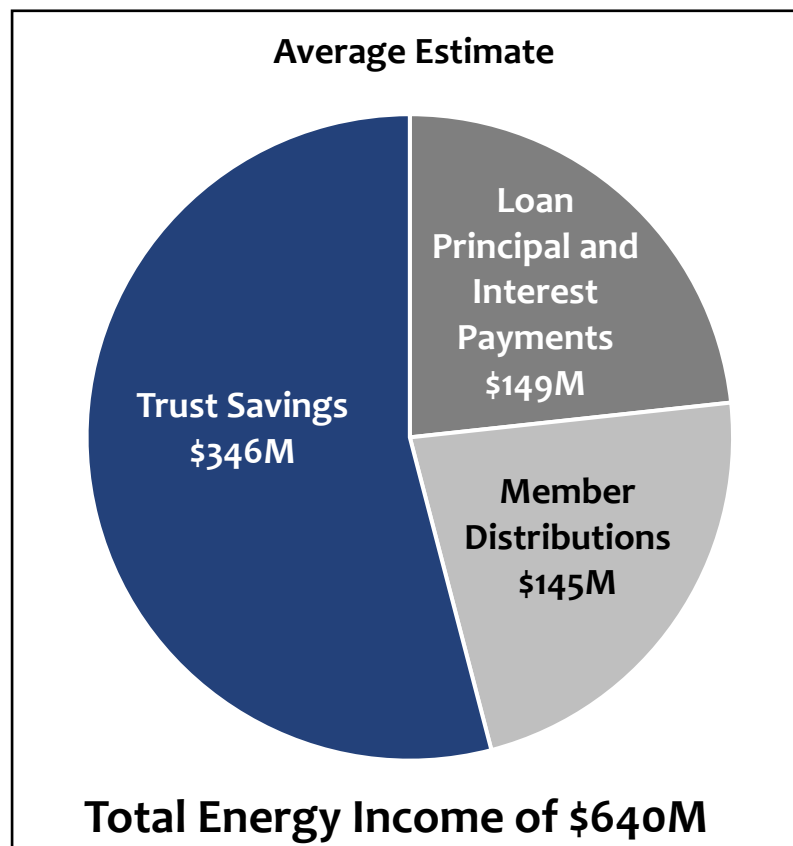


INVESTMENT TRUST

ENERGY INCOME – HOW IS IT SPENT AND SAVED?

- The charts below summarize how the cumulative energy income from 2020-39 is allocated under different performance scenarios

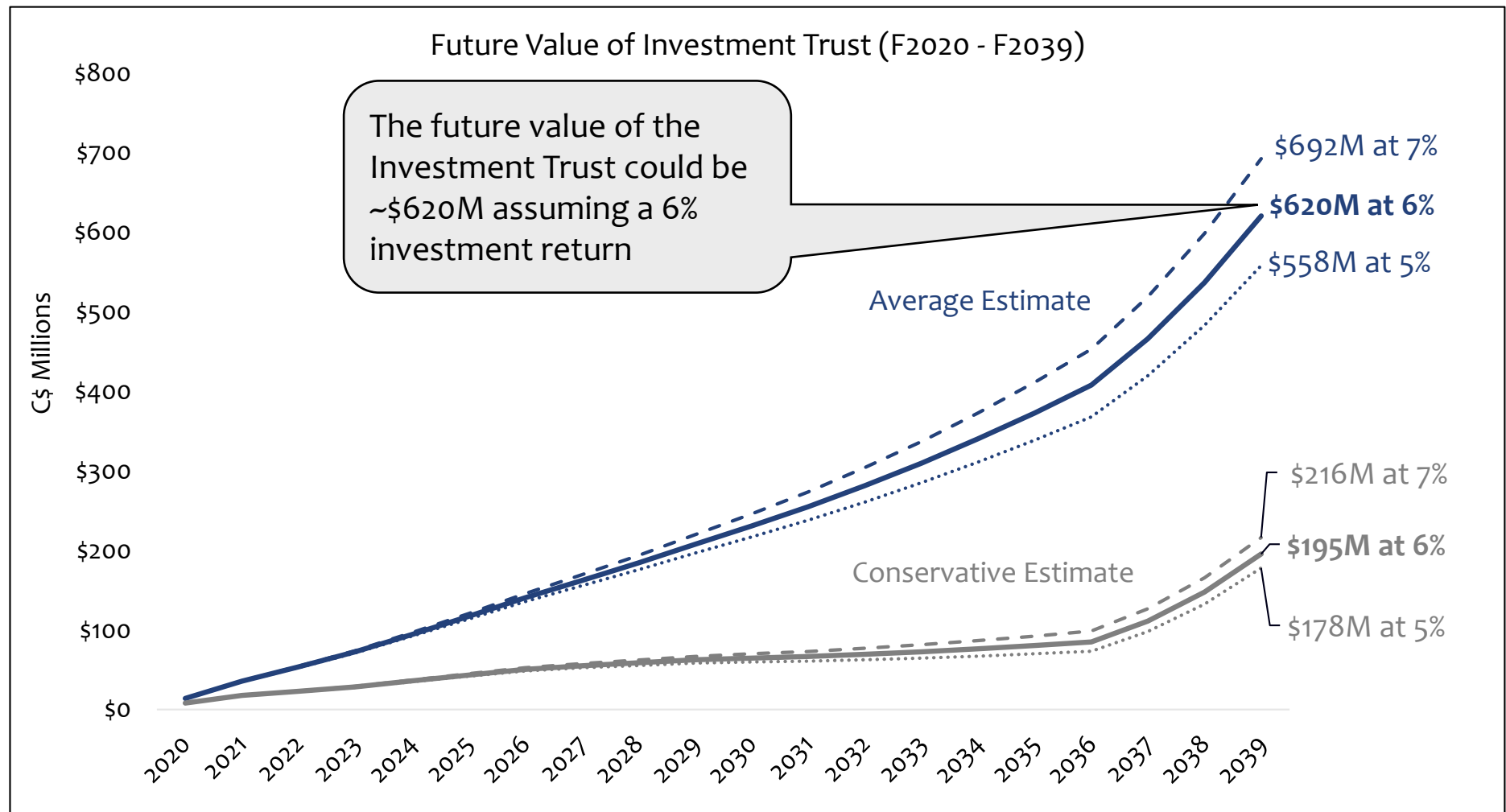
Allocation of Energy Income 2020-2039



INVESTMENT TRUST

VALUE OF INVESTMENT TRUST IN 2039

- The chart below illustrates the future value of the investment trust under different investment returns if the Nation was to invest all the Net Energy Income in the investment trust



INVESTMENT TRUST

FUTURE WITHDRAWAL PLAN

Important Questions	Answers
How long can the Trust afford to support the Nation's withdrawal plan?	<ul style="list-style-type: none">• If the Trust is protected properly and the funds are invested wisely, the Trust should have the potential to last for many generations or possibly forever
How much money needs to be set aside in order to ensure that future withdrawal needs can be maintained well beyond 2039?	<ul style="list-style-type: none">• It depends on several key variables:<ul style="list-style-type: none">➤ Level of future annual withdrawals➤ Inflation rate / growth in withdrawals➤ Investment rate of return

INVESTMENT TRUST

FUTURE WITHDRAWAL PLAN

- The table below summarizes the Nation's illustrative annual withdrawal plan (after 2039)

FUTURE WITHDRAWAL NEEDS	ESTIMATED ANNUAL REQUIREMENT AFTER 2039	
Member Distributions of \$500 per month ⁽¹⁾	\$8M - \$9M	Increases to \$12M+ if Member Distributions are indexed to inflation
HIFN operational deficit	\$0M - \$1M	Represents spending in excess of revenue from Government
New health and social programs	\$1M - \$4M	Funds required to support new social/health programs (such as dental coverage, etc.)
New infrastructure spending and maintenance	\$1M - \$6M	Funds required to support new infrastructure projects and maintain/replace existing infrastructure. Could include housing, water treatment, community buildings, etc.
TOTAL ANNUAL WITHDRAWALS	\$10M - \$20M	

(1) Assuming 1,406 members in 2039 receiving distributions and membership growing at 1.5% per year

INVESTMENT TRUST

HOW MUCH MONEY DO WE NEED TO SAVE TO FUND WITHDRAWALS IN PERPETUITY?

		Estimated Fund Size Required ¹				
(in \$ millions)		Annual Withdrawal Requirement (\$)				
		\$10.0M	\$12.5M	\$15.0M	\$17.5M	\$20.0M
Investment	3.0%	\$667	\$833	\$1,000	\$1,167	\$1,333
Fund Rate	4.0%	\$400	\$500	\$600	\$700	\$800
of Return	5.0%	\$286	\$357	\$429	\$500	\$571

(1) Assuming withdrawal requirement increases @ 1.5% per annum

The Nation will need to have ~\$500M in the investment trust in 2039 to fund \$12.5M in annual withdrawal requirement in perpetuity (assuming 4% investment return)

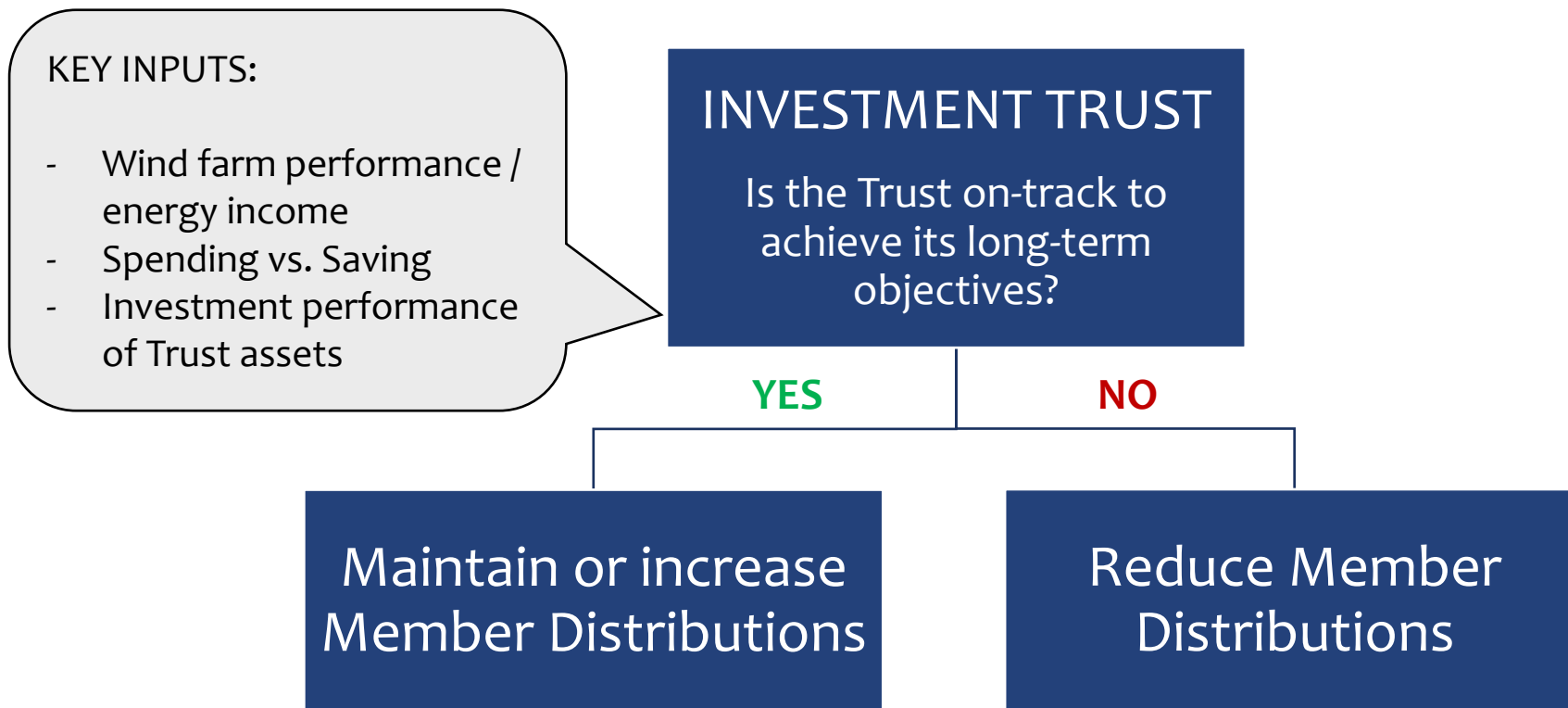
If the investment rate of return increases to 5%, the Nation would need to have ~\$357M in the investment trust to fund \$12.5M in annual withdrawal requirement in perpetuity

If the Nation's withdrawal requirement increases to \$15M, it will need to have ~\$600M in the investment trust in 2039 to fund it in perpetuity (assuming 4% investment return)

INVESTMENT TRUST

SUSTAINABILITY – MEMBER DISTRIBUTION POLICY

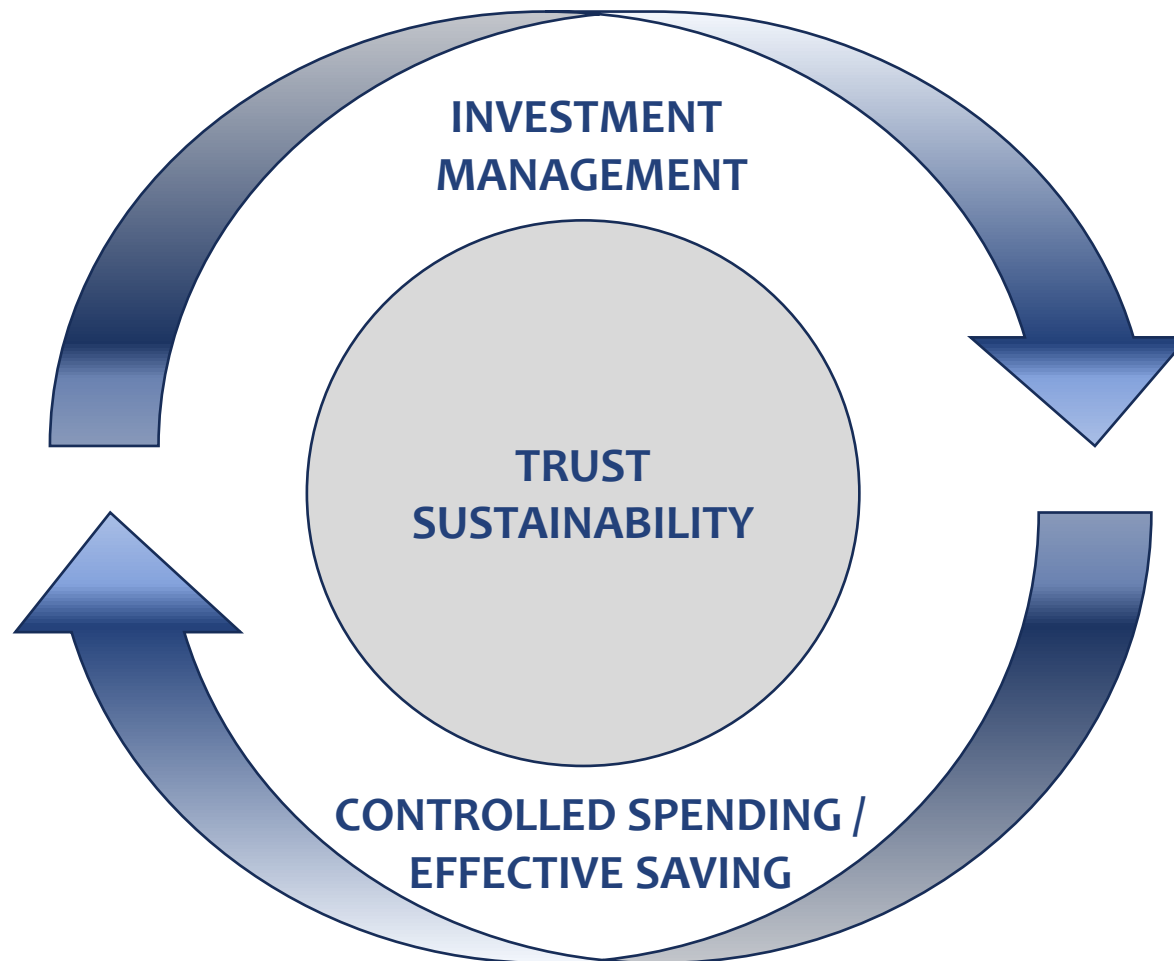
- How can the Nation ensure that the Trust will be able to pay Member Distributions long into the future?
 - Trustees to conduct regular financial reviews and assess if the Trust is on-track to achieve its long-term objectives



INVESTMENT TRUST

SUSTAINABILITY

- The Nation has an opportunity to grow the investment trust to the point where it can provide benefits to the community members for many generations to come
- These benefits can last forever if the investments and spending are effectively managed



COMMUNITY DECISIONS THAT IMPACT THE PROJECTIONS

- There are several decisions that will need to be made by the community (now and in the future) that could significantly affect the financial projections, including:

Topics	Key Decisions for Consideration
Member Distributions	<ul style="list-style-type: none"> Should Member Distributions be adjusted for inflation?
Distributions for Minors	<ul style="list-style-type: none"> Should community members who are minors accumulate distributions that are paid out after age 18? <ul style="list-style-type: none"> ➤ Or should they only begin to receive distributions once they turn 18? Should minors accumulate lower levels of Member Distributions? <ul style="list-style-type: none"> ➤ Or should they receive a modest fixed amount once they turn 18?
Future Refinancing	<ul style="list-style-type: none"> When the FNFA loan matures in 2030, should the outstanding balance be repaid using assets from the Trust? Or should the amount be refinanced? How should the proceeds from a potential refinancing at the Project level be dealt with?
Spending / Withdrawal Plan	<ul style="list-style-type: none"> How should the community manage the level of annual spending and the amount contributed to the Trust for future generations? How should withdrawals of capital from the Trust be handled?

HIFN WINDFARM FEEDBACK FORM

- Feedback may be delivered by hand or by mail to Chief M. Wayne McQuabbie, Henvey Inlet First Nation, 295 Pickerel River Road, Pickerel, Ontario P0G 1J0.

Add pages as necessary



HENVEY INLET FIRST NATION

**Materials for
HIFN WINDFARM TRUST
COMMUNITY MEETING #1**

Sunday, 09 August 2020

2:00 pm

2. Windfarm Trust Proposal -- Fogler Rubinoff, LLP

HIFN WINDFARM TRUST

Presentation to Henvey Inlet First Nation

Community Meeting #1

09 August 2020

HIFN WINDFARM TRUST

- A. WHAT IS A TRUST AND WHY USE ONE?
- B. THE TRUST SPENDING PLAN
- C. THE BOARD OF TRUSTEES
- D. NEXT STEPS

A. WHAT IS A TRUST AND WHY USE ONE?

REVIEW OF WINDFARM INCOME

The Windfarm produces two income streams:

1. PROFITS FROM ENERGY SALES

- Nigig receives $\frac{1}{2}$ of the HIW windfarm's net profit from energy sales, pays it to HIFN
- Projection is \$15M-\$31M per year

2. HIW RENT

- The HIW windfarm pays rent directly HIFN
- The rent varies with energy production – projection is \$6M-\$8M per year

WHY USE A TRUST? ^{1/2}

HIFN's objectives:

1. IMPROVE QUALITY OF LIFE FOR CURRENT MEMBERS

- » Monthly distributions for each member
- » Enhanced community facilities and services for all members

2. SAME BENEFITS FOR FUTURE GENERATIONS

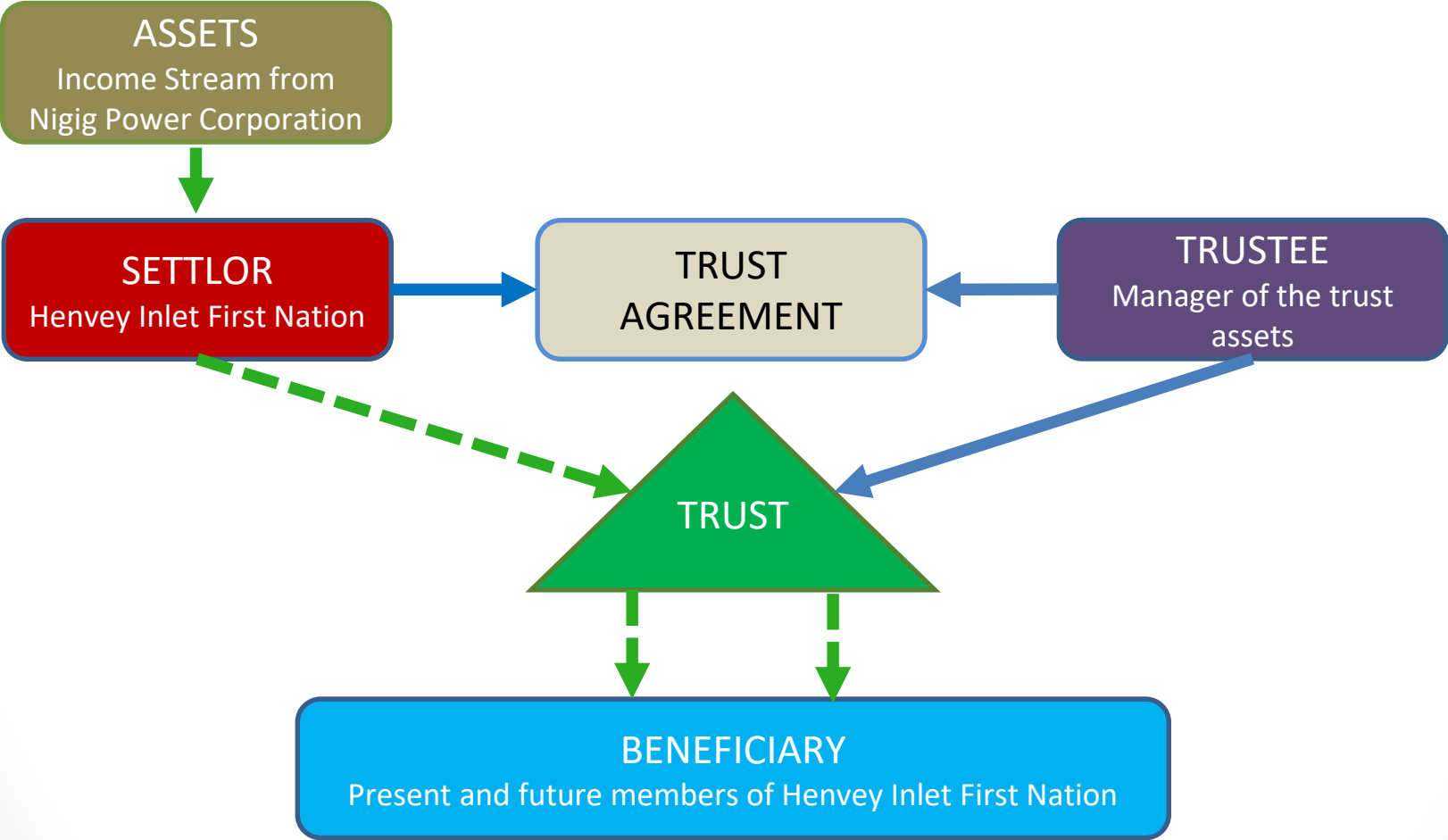
- » Continue member distributions and improved community facilities and services after the FIT contract ends in 2039, indefinitely if possible

WHY USE A TRUST? 2/2

A trust can be used to ensure benefits for multiple generations of members:

- Trust is a distinct legal entity, separate from the band Council, which operates according to binding rules set out in a Trust Agreement
- Can only use its assets for the benefit of the First Nation and its members
- Cannot be cashed out before the Trust's mandate is fulfilled
- Tax efficient
- Protects against "own source revenue" clawbacks.

THE WINDFARM TRUST



LEGEND:

- = MANAGEMENT
- - - → = CASH DISTRIBUTIONS (\$)

B. THE TRUST SPENDING PLAN

TRUST PHASES ^{1/3}

Two Trust Financial Phases

- **SAVINGS PHASE, 2020-2039**
 - Income from FIT contract used to fund:
 - Distributions to members
 - Savings – target approx. \$620M
 - Strict limits on other withdrawals from the trust
- **FULL SUPPORT PHASE, 2039 →**
 - Income from FIT contract ends
 - Trust income used to fund distributions to members and to support community operations and services

DISTRIBUTIONS TO MEMBERS ^{1/3}

Savings Phase, 2020 to 2039

- \$500/month/member
 - May be subject to minor adjustments up or down based on
 - Energy sales profits
 - Progress towards 2039 savings target
 - Membership growth
- Minors: Distributions held in the trust, paid out in three instalments at ages 21 (18 with high school diploma), 24 and 27

DISTRIBUTIONS TO MEMBERS ^{2/3}

Full Support Phase, 2039 and After

- Target is to maintain distributions to each member at the same level as during FIT contract, or better
- May be necessary to adjust, depending on:
 - Energy sales profits and rent under the anticipated new power purchase agreement
 - Trust asset portfolio size and earnings
 - Membership growth
 - Increases in HIFN O&M costs for facilities and services

DISTRIBUTIONS TO MEMBERS ^{3/3}

Government Claw-Backs?

- Preliminary opinion (full legal opinion in preparation):

ODSP AND ONTARIO WORKS

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

INCOME TAX

- Distributions to members likely to be treated as “discretionary non-taxable gifts”

EMPLOYMENT INSURANCE

- Likely to be treated as a gift, not deducted from entitlement

SPENDING CHECKS AND BALANCES

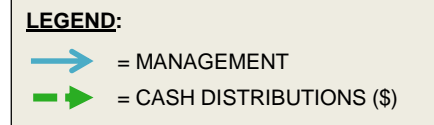
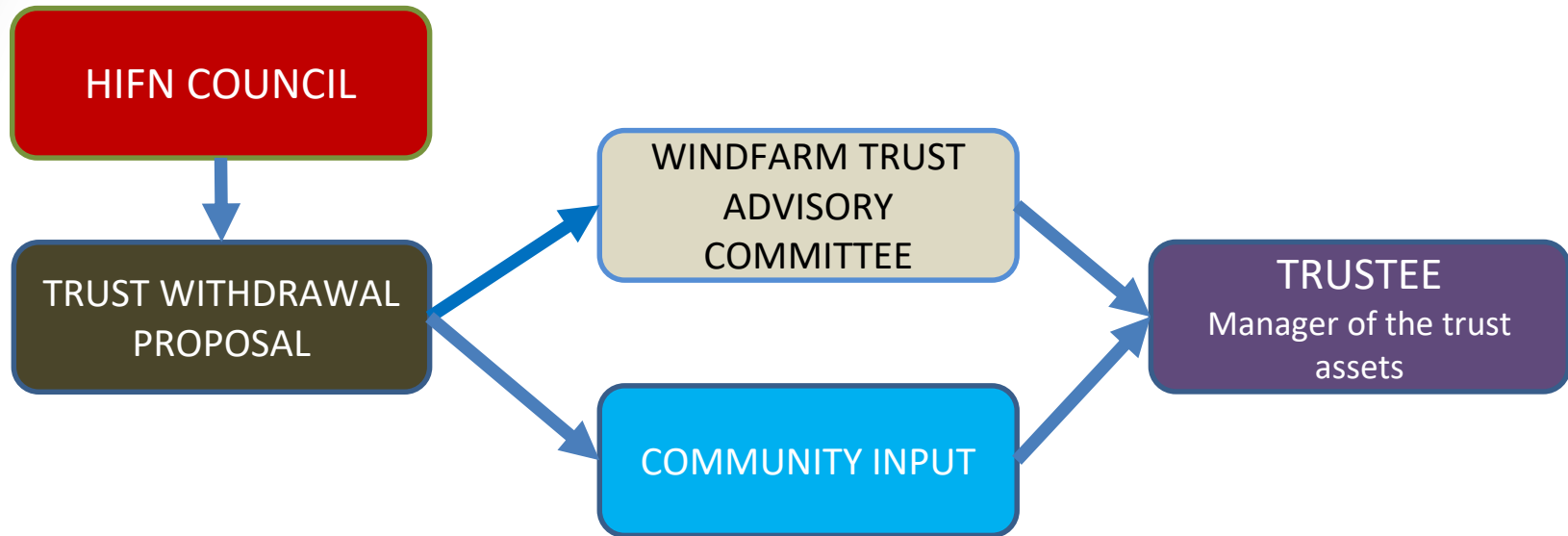
Windfarm Trust Advisory Committee

- Advises Council on selection of Trustees and withdrawals from the trust
- 5 members selected by Council
- Limit of one committee member from any one immediate family, on-reserve and off-reserve members represented
- All withdrawal proposals must have WTAC approval or be put through the Community Input process

Encroachments on Trust Capital

- Any withdrawal of the trust's capital requires a Community Approval Vote and a majority vote of the Trustees

WITHDRAWAL PROPOSALS



TRUST SPENDING SUMMARY

Pre-2039

- distributions to members paid by the trust from Nigig income
- Other withdrawals by Council:
 - only for extreme emergencies or land base acquisition
 - encroachments on trust capital require Community Approval Vote and majority vote of Trustees

2039 and after

- distributions to members paid from trust income (and windfarm income, if any)
- Other withdrawals by Council:
 - for any collective purpose
 - require approval by WTAC or Community Input
 - encroachments on trust capital require Community Approval Vote and majority vote of Trustees

C. THE BOARD OF TRUSTEES

BOARD OF TRUSTEES ^{1/3}

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 3 consecutive terms
- Selected by Council from slate of candidates prepared by the Windfarm Trust Advisory Committee and Trustees

BOARD OF TRUSTEES ^{2/3}

Community Trustees

- Qualifications
 - » High school diploma or better
 - » Financial experience
 - » Criminal records check
 - » Completion of NATOA trust officer training or equivalent within six months of appointment
 - » Members of Council and employees of HIFN and the Trust disqualified
- Selection Process
 - » Appointed by Council from slate of candidates prepared by Windfarm Trust Advisory Committee and Trustees

BOARD OF TRUSTEES ^{3/3}

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 and employees of HIFN and the Trust disqualified
- Selection Process
 - » Appointed by Council from slate of candidates prepared by Windfarm Trust Advisory Committee and the Trustees

D. NEXT STEPS

NEXT STEPS

- **COMMUNITY MEETING #1 SUMMARY**

- » Council will send out Summary of Community Meeting #1 and request for further feedback

- **REVISIONS TO MODEL**

- » Council/Legal/Financial Advisors will review Trust Model and prepare draft Trust Agreement incorporating feedback

- **COMMUNITY MEETING #2**

- » Monday 24 August 2020, 2:00 pm
 - » Continuing discussion of Trust Model
 - » Presentation of draft Trust Agreement

...to be continued

MIIGWETCH!





HIFN WINDFARM TRUST FEEDBACK FORM

Feedback may be delivered by hand or by mail to Chief M. Wayne McQuabbie, Henvey Inlet First Nation, 295 Pickereel River Road, Pickereel, Ontario P0G 1J0.

Add pages as necessary.