

# **Henvey Inlet First Nation**

## **Wind Farm Project**

### **Information Package**

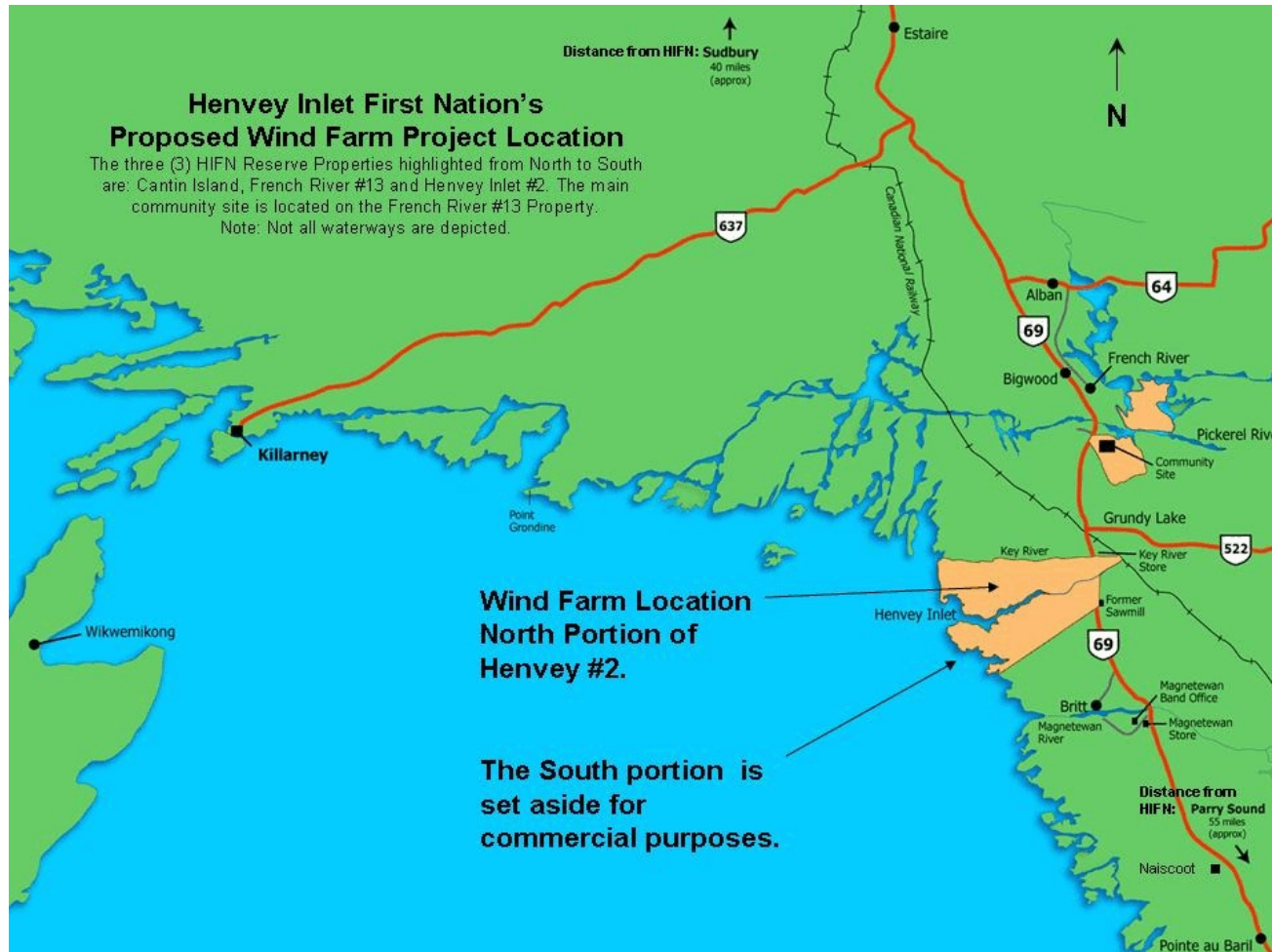
#### **Question:**

**Do you support the development of a wind farm on Henvey Inlet Reserve #2?**

(Subject to further study, 80 turbines are being considered that would generate 200Mws of power).

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| <b>Information Package Purpose:</b>  | This information package is being provided to all Band Members to seek support to develop a large scale wind farm on reserve property. Information on the risks and opportunities are provided to fully inform you of the proposed venture.   |
| <b>How to gain more information:</b> | <p>If, after reading this package, you require more information please check our contact information at <a href="http://www.hifn.ca">www.hifn.ca</a> to get in touch with either of the following individuals:</p> <p><b>Chief:</b> Wayne McQuabbie   <b>Phone:</b> (705)857-2331<br/>    <b>E-Mail:</b> wayne_mcquabbie@hotmail.com</p> <p><b>Economic Development:</b> Ray Kagagins   <b>Phone:</b>(705)857-2331<br/>    <b>E-Mail:</b> raymond.kagagins@henveyinlet.com</p> <p><b>Special Projects:</b> Ken Noble   <b>Phone:</b> (705)521-2349<br/>    <b>E-Mail:</b> noble.k.r@gmail.com</p> |
| <b>How to express your opinion:</b>  | <p>Your opinion will be kept confidential, but the number of people who support the project and the number who reject the project will be counted. You can verbally express your opinion to any of the above noted individuals or submit it in writing to any e-mail address noted or via fax or phone or regular mail:</p> <p><b>Phone:</b>         (705)857-2331</p> <p><b>Fax:</b>             (705)857-3021</p> <p><b>Mail:</b>           Chief Wayne McQuabbie<br/> Henvey Inlet First Nation<br/> 295 Pickerel River Road<br/> Pickerel, Ontario<br/> P0G 1J0</p>   |

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| <p><b>Location:</b></p>     | <p>The proposed location for the wind farm is the undeveloped north half of the reserve property known as Henvey Inlet #2. This site is located on the south side of Key River, on the West side of Highway 69, approximately ½ way between Sudbury and Parry Sound, Ontario.</p> <p>The Reserve is about 20,000 acres in total size with the north and south portions being approximately 10,000 acres each. The land is made up of undeveloped bush and swamp lands with numerous rocky out crops, typical of the lands along the central and northern part of Georgian Bay. The south 10,000 acres of this reserve property was set aside for business development in the 2005 referendum.</p> <p>The location map is presented on page #3.</p>  |
| <p><b>Site Impacts:</b></p> | <p>The wind turbines themselves are 100 metres high and can generally be seen from a distance of 3-5 Km. The most often heard complaints about them is that they change the view of the landscape, block views of the sunset, the beauty of nature, etc. This is true. However, others see them as beautiful as they represent “green” energy, and for us, they represent self-sufficiency.</p> <p>Each turbine requires a cement base and a buffer zone around the base for safety, usually about 1 acre. In practice, site impacts from road construction and the clearings required for tower installation will be greater than site impact of the towers themselves. While new roads will have an impact on the environment, they also allow increased access for other activities to occur on the lands including hunting and recreational use. Current hunting and trapping activities and future cottage and home locations may be effected.</p> <p>Some studies suggest that low frequency noise and electromagnetic radiation from the turbines can cause health hazards and setbacks from residential properties (distance from homes) are generally being increased. Fortunately, the site location under study far exceeds any of the current Government setback requirements from existing seasonal and year round residences.</p> |



**Proposed Wind Farm - Location Map**

**What Happened to the Projects at Henvey #2 voted on in the 2005 Referendum?**

The referendum vote in February 2005 set aside approximately 10,000 acres on the south side of Henvey #2 for commercial development. Some of the planned projects included:

- a youth camp
- marina
- golf course
- cottage lot development
- resort and conference centre
- cultural and education centre

The Band worked with a development group in the planning stages for a few years before the Referendum but they failed to provide an adequate plan to move forward after the referendum, so nothing has occurred to date.

The Chief and Council are still interested in business development on the lands set aside in the Referendum and are beginning to discuss a slow small scale approach with the Band more engaged in each stage rather than implement the venture as a mega-project. It will take longer to develop projects this way but it is believed that the Band Membership will gain more benefits in the long run.

Lands previously set aside in the Referendum that are not now required for commercial development will be returned to normal Reserve status. Small scale development will not require extensive water frontage with large estate lots as was previously proposed. Even though the Referendum legally approved all of the listed projects as options, many in the Community were still not in favour of dedicating such a large tract of land for some of the purposes listed.

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| <p><b>Traditional Territories:</b></p> | <p>While the wind farm project currently being proposed is mainly on reserve lands the Band is also seeking access to additional lands available in their Traditional Territories (Crown Land) for future wind farm expansions and other uses.</p> <p>Traditional Lands generally extend along Georgian Bay from Point Grondine near Killarney to Henvey Inlet #2 (see map on Page #3) and includes inland waterways and significant portions of Georgian Bay. The eastern boundary meets the lands traditionally used and occupied by Nipissing and Dokis First Nations near Lake Nipissing.</p> <p>A Traditional Territories Claim currently under review will seek income from lost revenues plus serve notice of the Band's intent to exercise their inherent right to use and occupy traditional lands for future economic, social and cultural benefit as well. This right of use and occupancy was never surrendered in the Treaties. The specific boundaries will be verified in a major research project expected to start in 2009.</p> |
| <p><b>Best Case Scenario:</b></p>      | <p>The wind farm project, if successful, would be the largest project of this type undertaken by any First Nation in Canada and guarantee future financial independence for the Band and full employment, not just for Band Members but many people in the immediate area.</p> <p>Along with a wide range of jobs that will appear directly in the wind energy sector, full employment would come from the many spin-off projects in road construction, cement plant operation, crane and heavy equipment operation, etc. New businesses could also be started with financial help from wind farm income.</p> <p>Band Programs for Youth, Elders, Housing and Cultural and Social Programs could also expand.</p>  |

**Major Risks:**

The major and most obvious risk right now is the shaky global economy and the effect this may have on the availability of development funds and financing. We are all observing how the financial trouble in the USA has hit Canada and the world resulting in an inability to predict impacts on grants and loans to business and individuals.

Other major risks include challenges from competitors in the industry. Everyone is scrambling to gain access to the transmission lines to sell their energy. There isn't enough transmission capacity to meet current demands and expansion and competition will continue for years. Lack of access to the transmission grid could push our potential start date years into the future. We are seeking various solutions.

Challenges to our rights to develop such a major project could also come from anywhere. Be prepared and don't be surprised.

Most of these major risks are beyond our control and could delay, stall or cancel our project.

**Normal Risks:**

The development of a wind farm this size is extremely costly, and all wind developers face a wide range of similar risks on top of the major risks just noted.

Each step exposes new risks. Along with wind speed and consistency studies, technical and geophysical physical studies and environmental impact studies are required. These must be completed before making application to connect to the transmission grid and bid on power purchase agreements. These studies, the applications and the bidding process are mandatory for all wind developers.

One issue could cause the project to take several years longer to develop, and another could cancel it in midstream entirely!

Even though Environment Canada data indicates that we have the best wind for speed and consistency on this side of Georgian Bay, we still need one year's worth of wind speed data from a test tower to prove it.

A technical study could indicate that our project interferes with other tower installations along the highway and this could stall or cancel the project. A geophysical study could also turn up unexpected things such as unstable ground on the best spot to locate a cluster of towers.

The most sensitive concerns are environmental in nature. If it is found that the wind farm interferes with the path of migratory birds or bats or if it destroys the habitat of a protected or endangered species such as the three species of snakes on Georgian Bay, then the wind farm could be stopped unless a solution is found for the problem.

Finally, if the Band Membership is clearly not in favour of this project - no project!



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| <p><b>Is it worth the risk?</b></p> | <p>Chief and Council have looked at the risks and the opportunities and benefits. They believe that, Yes, it is worth the risk to try to develop the project. It produces green power and the turbines have a small footprint even though they are huge, so we can still use the surrounding lands for hunting and a variety of other purposes.</p> <p>The best case scenario would bring benefits to HIFN similar to those Bands who have started a Casino or those who possess oil revenues.</p> <p>If we were able to install as many as 80 wind turbines on the property, we would earn enough income to transform the economy of the First Nation.</p> <p>A better economy might mean a few more jobs and better paying jobs.</p> <p>A "transformed" economy would mean that the whole community would see improvement, more people moving back home, fewer people having to leave the community to find work, more young people would find opportunity right here in HIFN. More babies, more homes. More of everything really and a chance to bring our economy in line with what most Canadians enjoys.</p> <p>The worst case scenario is that the project could be stopped by known or unforeseen circumstances after 2-3 years of hard work by all involved. It normally takes a minimum of 3-4 years just to complete all of the requirements noted earlier.</p> <p>We are taking a very cautious approach due to the risky nature of the industry and only investing time, money and energy in studies and activities when it is required. Trying to conduct studies or undertake some activities too far in advance could prove be a waste of time and money.</p> |
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**Short Medium and Long Term Economic Goals - All eggs not in one basket:**

Please be advised that the Band is not placing all hopes on a single mega-project that takes years to develop with just as good a chance as failing as succeeding.

**Short Term Goals:** Short term economic and employment related projects in the works include: Taking back Pickerel Landing and running and expanding this operation, starting a similar operation at Henvey Inlet, finding a partner to expand the pit operation, setting up a gas station or considering other business offers all while continuing to improve roads, community facilities and expand housing. All these activities will create ongoing jobs and the possible business activities will generate revenues.

**Long Term Goals:** One plan is to still develop a marina/lodge/resort at Sandy Bay along with building cottages for sale, rent, lease or time shares on small tracts of land in the immediate area of the main lodge. The plan is to make these operations energy independent using alternative energy technology. While it is possible that we would seek partners in some part of this development, management and labour would mostly come from the Band Membership.

Another plan is to negotiate with MTO to acquire land in an exchange to gain a development site between the north and south lanes of the new four lane highway with access from both directions. Everything from a gas bar, hotel, motel, fast food franchise and trading post could be located there.

| <b>Wind Farm Timelines</b><br>(best case scenario) and<br><b>Net Income Potential:</b><br>(shown in Millions - 200Mw Project)   | 2009 | 2010 | 2011 | 2012   | 2013 | 2014   | 2015 | 2016   | 2017 | 2018   | 2019 | 2020   |
|---|------|------|------|--------|------|--------|------|--------|------|--------|------|--------|
| <b>Possible Income Uses:</b>  | 0    | 0    | 0    | \$12.5 | \$13 | \$13.5 | \$14 | \$14.5 | \$15 | \$15.5 | \$16 | \$16.5 |
| <p>The use of the net income from this project is solely up to the Band, meaning both Chief and Council and the Membership collectively.</p> <p>It is up to Chief and Council to determine how this decision is made. They may hold community meetings, put a plan to a vote, take a poll or conduct a survey or any other method to get a sense from the community on the best use of the funds.</p> <p>Here are some possibilities:</p> <ul style="list-style-type: none"> <li>• expand Band services, especially in areas of: Health, Education, Elder Services and Support, Youth Services and Support, Language Instruction and retention, to name a few</li> <li>• reinvest in business expansion</li> <li>• reinvest in new research and development and business development</li> <li>• pay out a portion directly to Band Members - this is done in Scugog First Nation where each Band Member receives a “dividend” cheque from the profits produced by their Casino, after other needs are met.</li> </ul> <p>It would be inappropriate to guess now at how much is spent in each area listed above or to suggest that these are the only ideas.</p> <p>It will take a few years to arrive at a community-based decision that everyone can live with. There is no rush to make this decision.</p> <p>As you can see in the time line shown above, the earliest possible date for income from this project is 2012.</p> |      |      |      |        |      |        |      |        |      |        |      |        |

**The Wind Farm Developer:**

The Band has been engaged in negotiations with a company called 401 Energy since late 2007.

There are so many developers out there running after First Nations with various proposals that it is hard to tell which one has the best offer. The offers range from providing the Band with a long term land lease that pays about 2% of net income to companies offering 25%, 51%, 80% or even 100% ownership in the project. We are very cautious. The level of ownership does not always translate directly into the same share of net income.

We have looked at many offers and determined that the offer of 401 Energy has many advantages. It includes a 51% ownership in the project and a 51% share of net revenues for the Band with conditions that are in our favour. The conditions state that 401 Energy will:

- raise funds from Government to contribute to our equity portion in the project
- acquire the remaining funds from Commercial Banks as needed
- get our power “on the grid” in long term contacts with Ontario Power and
- provide the expertise necessary to take the project from an idea stage to a fully operational business.

**3<sup>rd</sup> Party Assessment and Results:**

The Anishinabek Nation conducted a background check on 401 Energy and they appear to be a legitimate company with the expertise and business and political networks necessary to develop a project of this nature and size.

The big question: Have they ever done a project this size with any other First Nation? The answer is, No. Neither has anyone else.

In addition to the assessment done by the Anishinabek Nation, we examined the market ourselves and observed the experiences of other First Nations in Ontario Region. We then hired a First Nation Lawyer from Osoyoos BC with Wind Energy expertise to double check everything and tell us if the opportunities with this Developer are as good as or better than others in the alternative energy industry. This is called a 3<sup>rd</sup> party assessment where an independent and objective professional examines the proposed business concept and the chosen developer and renders an opinion. We aren't taking any chances.

The findings of our 3rd party assessment suggest that the developer has the financing and development capacity to implement this project subject to specific limitations as described in the report. Further, the report indicates that the income potential for Henvey Inlet First Nation in the development concept as discussed in this information package exceeds income levels from the usual lease or lease plus income share arrangements available from other power developers currently operating within Ontario.

Joseph Linkevic, LL.B., LL.M., MA, is a Member of Osoyoos Indian Band in BC. His full report is available upon request to Henvey Inlet First Nation Band Members only! Please contact one of the individuals noted on page #1 for a copy.

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| <p><b>The Development Team:</b></p> | <p><b>401 Energy:</b> The Developer utilizes a wide range of firms expert in such areas as: project design, operations, environmental and geophysical assessment, financial management and high level legal services.</p> <p><b>HIFN:</b> Currently, a small group of individuals have represented the Band in the preliminary stages of this development: Chief and Council through Chief Wayne McQuabbie, Raymond Kagagins, Economic Development Officer and Ken Noble, Special Projects and William Taggart, the Band’s Lawyer.</p> <p>Council has participated in various meetings and all actions to date have been properly presented to and sanctioned by Council. Additional team members are required.</p> <p><b>The Partnership:</b> A new Band owned corporation will be set up with a majority of Band Members to form a 51/49% Partnership with 401 Energy if all of the agreed upon conditions are met.</p> <p>As this project evolves additional expertise will be required in all areas. The Band will seek greater involvement from the Membership and encourage individual Members to acquire additional training and education as new opportunities become available, and predictable.</p> |
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**If this project is supported by the Membership, how do we make it happen and what happens next?**

Well basically, it's a battle, from start to finish, and if we are not aggressive it simply won't happen. The question is: Who do we fight with? The answer: **Obstacles!**

The first obstacle was the Doppler Radar tower at Britt. The wind turbines might cause interference for the weather radar images. We discovered a way to beat that problem. Move their tower to a new location if necessary.

Other obstacles include: Government rules and regulations and new policies about alternative energy, or a lack of new policies, protests from special interest groups, competition in the industry, transmission line delays, losing team members due to the short two year terms for Chief and Council, technical matters discovered in studies and assessments and the increasing threat from the global economic downturn.

The key to success is responding to each challenge immediately when it arises. Chief and Council, current and new Directors of our corporation, the Developer and other specialized members attracted to the development team could each play a role in overcoming emerging challenges.

Next steps include:

- temporary Permit development,
- test tower installation,
- long term land Permit development and negotiations,
- corporate structuring,
- funding and financing negotiations,
- environmental assessments,
- geophysical assessments,
- project design, turbine location and density selection, etc.
- turbine acquisition, installation and operation.

**Statements of Caution and Clarification:**

**Special Note to Band Members:** There is no pressure to approve this project, no matter how good it sounds. If you are in favour of the project, make your opinion known. If you not in favour of this project, also make you opinion known.

Chief and Council will take the positive and negative opinions into account when they make their decision whether to proceed based on what they hear from the Membership.

2012 is the most optimistic date that this project would be fully operational. Anything could cause a delay of 1-5 years.

The wind energy industry is fully developed in Europe and we expect that Canada will try to catch up for the next 20-30 years, so it appears that we could play a leading role in expansion of this industry in Ontario and Canada and gain many benefits for the Band.

If the project does proceed but we find that industry changes so much in the future that it is not worth it to participate in it anymore, conditions can be negotiated within our Permit that the turbines must be removed and the land returned to normal use at the end of each 20 year power purchase contract.

**Reminder:**

Please read the pink paper insert to see the many ways to express your opinion and if you support or oppose this project.

The green insert shows the methods for counting your opinions and collecting comments.