



**Financial Activities to Achieve
Economic Development
April 2, 2019**

AGENDA

1. Introduction
2. Economic Development
 - What is it?
 - What it isn't.
3. Financial Activities that support Economic Development



Too Much of this is Called Economic Development





What is Economic Development?

- Economic Development is a dedicated effort to create/retain jobs and increase the standard of living for the members and the community as a whole.
- When done properly, it creates wealth for the members of the Nation, and the Nation itself.
- Not every attempt is going to succeed, but there are ways to tilt the odds in your favour and there are things to look out for.





What it is Not

- Economic Development is NOT welfare or social assistance of any kind.
- A make work program is not economic development.
- Having welfare or social assistance programs is fine, and sometimes very necessary to support some members, but those programs are not economic development.
- Ultimately, economic development creates wealth (for the Nation and/or members), social assistance programs are a use of wealth because they cost the Nation money.





What is Economic Development?

- Setting up an economic development department and giving them a budget does not automatically create positive results.
- You need knowledge and expertise specific to the projects you are reviewing.
- Knowledge can be acquired or hired.
- It is usually cheaper and easier to hire the expertise and then have them train staff as the project advances, BUT be careful to hire the right people. Do your due diligence, check their references, etc.



Location, Location, Location

- Like real estate, the location of the First Nation is a critical factor in economic development.
- There are projects and circumstances that will lend themselves to your location.
- However, your location may be a huge obstacle to some projects, or make them out of the question for your Nation.
- A remote Saskatchewan Nation may have minerals that make a mine possible, but the remoteness probably makes a hotel and casino complex a nonstarter.





Types of Economic Development

- There are many types of economic development, examples include:
 - Tourism
 - Agriculture
 - Mining
 - Manufacturing
 - Personal services
 - Professional services
- Again, some (or all) of these may not work for your Nation. What may or may not work depends on the location, resources and desires of the Nation.



Size Matters

- Remember our definition of economic development: it is a dedicated effort to create/retain jobs and increase the standard of living for the members and the community as a whole.
- When many people think of economic development, they think of the mega projects: hotels, casinos, shopping malls, mines, etc.
- This tendency to 'think big' can be problematic for the Nation.
- Big projects are hard to manage, can have large cost over runs and can take a long time to complete.





Size Matters

- Since the goal of economic development is to create jobs and wealth, if even one permanent job is created for one member, that is successful economic development.
- Small, successful projects can have lasting, long term positive effects.
- For example, some youth/elders may be producing art, but have no place to market it. Something as simple as helping them set up a website could result in them supplementing their income through the sale of their art.





Comprehensive Business Analysis

- Once an idea has been generated, the most important part of the process is next: planning and evaluation.
- Get a qualified, experienced firm/individual to do a complete and comprehensive business analysis on the project.
- This will cost money, but it is far better to learn that a project will not work BEFORE it is started, rather than rushing into it, spending a lot of money and THEN realizing it will not work.
- **IF IT DOES NOT WORK ON PAPER, IT WILL *NEVER* WORK IN THE REAL WORLD**



3 Crucial Factors

- There are three factors that must be taken into account in every economic development project. These will come from the business analysis, but can be summarized as:
 - **Risk** – what are all the risks involved with the project? This list should be as complete as possible.
 - **Money** – what are the total costs of the project?
 - **Speed** – how much time will the project take? How long will it be before the Nations sees some positive economic results from the project?





How do Trusts Fit with Economic Development?

- Perfectly.
- Economic Development needs money to make it happen, and Trusts provide money in three ways:
 - Ongoing cash flow from interest, dividends and capital gains
 - Loan guarantees
 - Capital draw downs
- Instead of taking a lump sum payment and using it all on one or two economic development projects, setting up a modern trust can facilitate several projects for many years into the future.



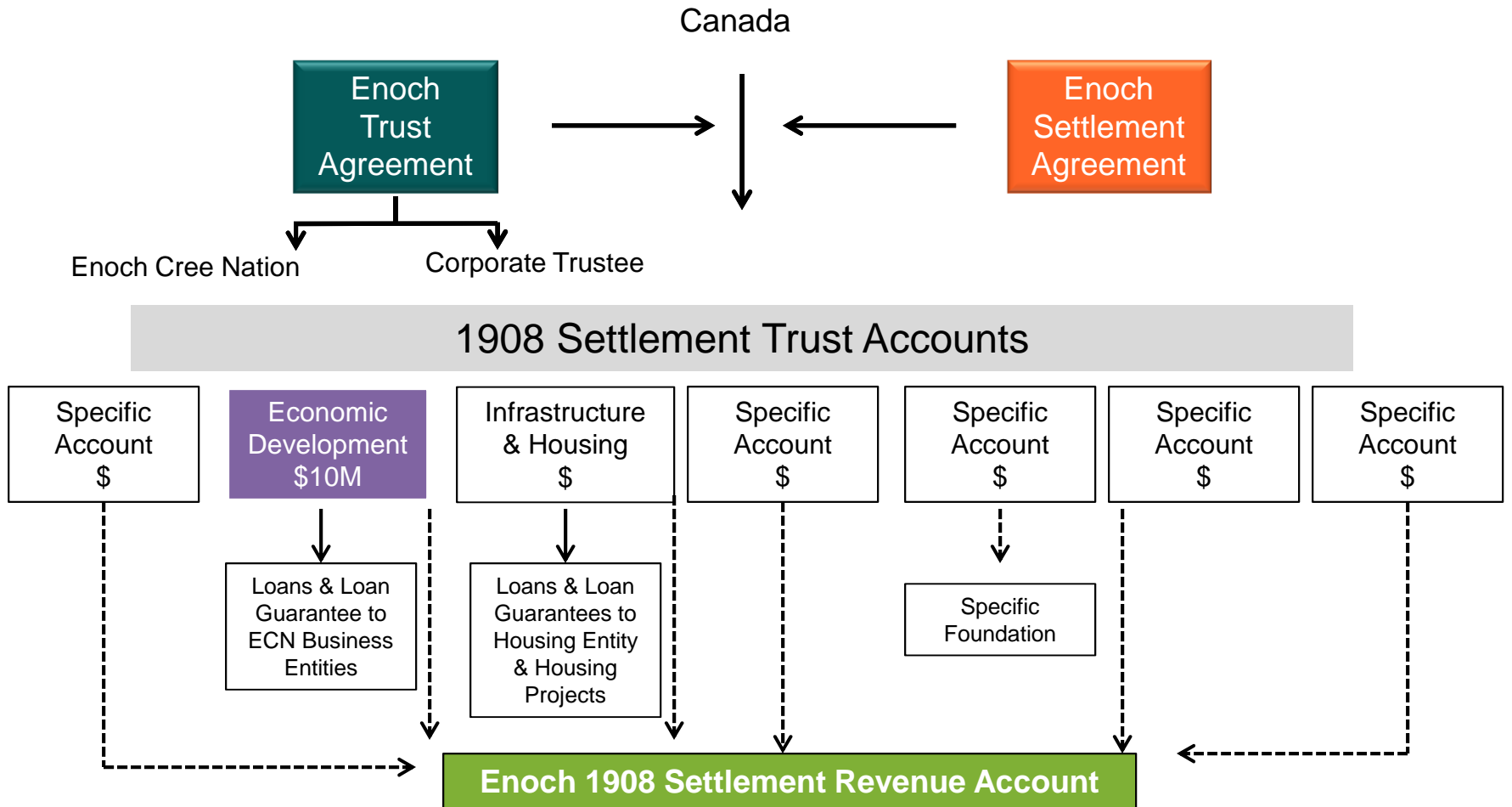


Enoch Settlement Claim

- In 1973, Enoch Cree Nation filed a Specific Claim with INAC alleging the wrongful surrender of reserve lands in 1908.
- In 1984, while the lawsuit was being prepared for trial, Enoch and Canada entered into an Agreement which limited the matters to be decided at trial and reduce the amount of damages.
- During the 1990's, there were many court applications by Enoch attempting to set aside the 1984 agreement. Enoch was not successful in setting aside the 1984 agreement but did broaden the scope of the litigation to include claims of breach of fiduciary duty and negligence for the administration of sale proceeds by Canada. Amendments also clarified breaches for wrongful surrender of the mines and minerals under the lands surrendered in 1908.
- December 11, 2003, the settlement funds were received in the Trust.



Enoch Trust Structure





Economic Development Account

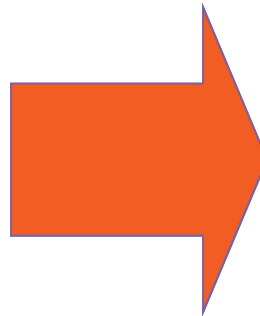
One of the **specific** purposes of this Trust is to enable the further economic development of the First Nation by providing financing for Enoch Business Entities.

“**Enoch Business Entity** means a joint venture, partnership, corporation or other business organization in which a majority of shares and/or the controlling interests is held in trust directly or indirectly by the Council of the First Nation or their representatives and whose objective is to engage in commercial activities to generate employment, profits **and** revenues for the First Nation and whose financing by loans is one of the specific purposes for which this Trust has been formed. This does not include corporations, partnerships or other business organizations **owned** in whole or in part by **individual Members**”.



Economic Development Account

Economic
Development
Trust Account

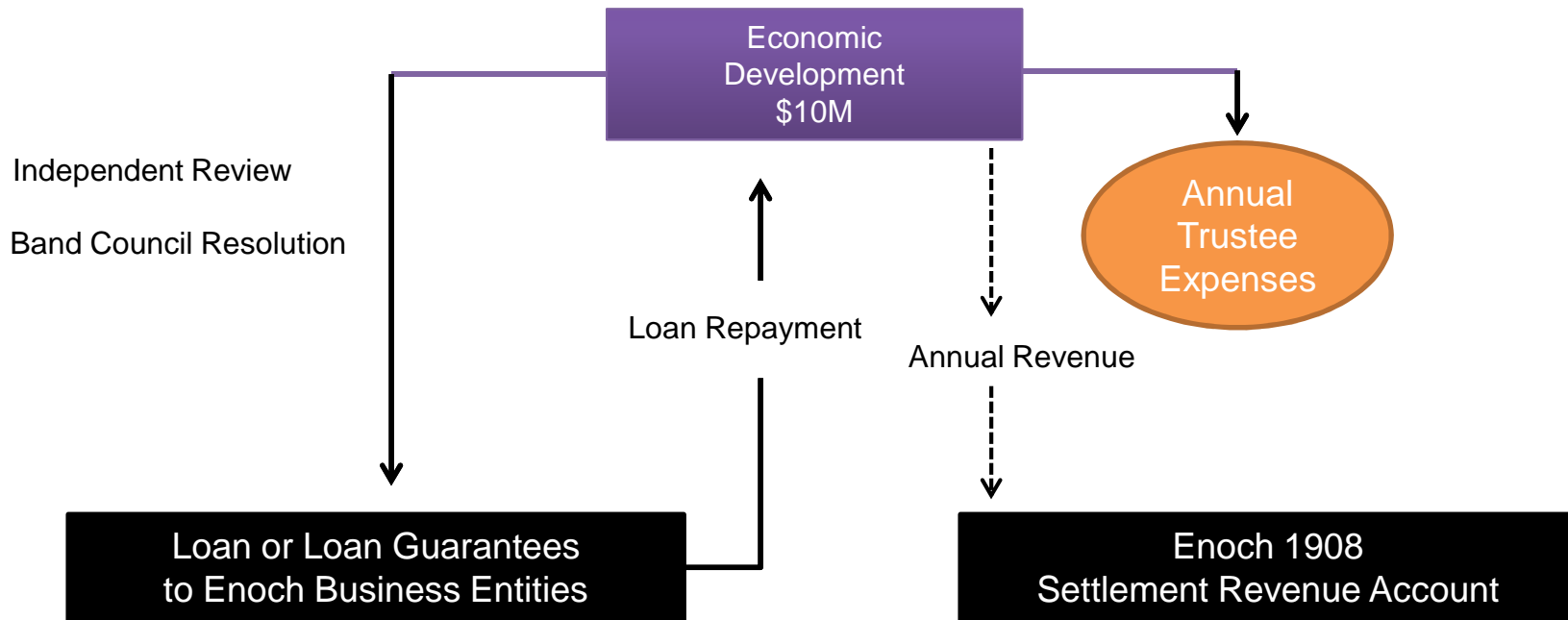


‘Trust funds from the Economic Development Trust Account shall be used for the purpose of providing direct loans to an Enoch Business Entity or providing a loan guarantee to a financial institution on behalf of an Enoch Business Entity’

1. ‘A business plan prepared by an Enoch Business Entity has been reviewed and evaluated by an independent qualified business consultant (“the Consultant”) retained by the Council and who has not been retained by an Enoch Business Entity’
2. ‘Following the Council’s review and acceptance of the Consultant’s report, the purpose, amount, terms and conditions, and security of the loan guarantee to be provided by the Trust has been approved by the Council’



Economic Development Account





Enoch Loan Example



Loan Amount	\$3,000,000
Annual Interest Rate	6.00%
Loan Period in Years	20
Number of Payments (Yearly)	1
Start Date of Loan	2019/04/01
Optional Extra Payment	

Loan Summary	
Schedule Payment	\$261,553.67
Schedule # of Payments	20
Actual # of Payments	20
Total Interest	\$2,231,073.42





Ontario First Nation

LOANS AND GUARANTEES

The Trustee is hereby authorized, empowered and directed to provide funds from the capital of the Trust Fund to the Nation for the purpose of:

Providing loans from the capital of Trust Property comprising funds in the Trust Account to an First Nation Business Entity; and

Utilizing the Trust Property as security for guaranteeing loans for an First Nation Business Entity; and

Providing loans to First Nation for the purpose of enabling the First Nation to undertake Community Development.





Ontario First Nation

Loans and Loan Guarantees

Amount allowed to be used per the Trust \$ 20,053,380

Less:

First Nation Business Entity (788,521)

First Nation Community Development (4,750,191)

AVAILABLE FOR LOANS AND LOAN GUARANTEES

\$ 14,514,668





Ontario First Nation Example

Loan Amount	\$3,600,000
Annual Interest Rate	3.7%
Loan Period in Years	20
Number of Payments (Yearly)	1
Start Date of Loan	2019/04/01
Optional Extra Payment	

Loan Summary	
Schedule Payment	\$257,905.43
Schedule # of Payments	20
Actual # of Payments	20
Total Interest	\$1,558,108.53

EXPANSION!





Conclusion

- If the trust is properly written, it can be a great financial aid when the Nation is involved in economic development projects.
- Properly invested, the trust capital can provide several ways for Nation to access cash for projects.
- The key to using trust capital is to be reasonable. Be sure to run different cash flow scenarios to ensure that the trust is not in danger of significant depletions of capital.
- There are competent people who can help you with these scenarios.





THANK YOU & QUESTIONS



LEADING THE INDUSTRY IN FIRST NATION TRUST SERVICES



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