



ABORIGINAL ENERGY FORUM

FINANCING FOR ABORIGINAL RENEWAL PROJECTS

Barbara Hendrickson

Miller Titerle LLP

December 5 - 6, 2011

Overview

- Opportunities and Issues for Aboriginal Communities
- Financing Opportunities for Aboriginal Communities
- Private Placements

Opportunities for Aboriginal Communities

- New sources of revenues
- Clarification of rights
- Insert local knowledge and practice into project development
- Capacity building
- Enhanced participation in local and national economies
- Creation of wealth

Issues for Aboriginal Communities

- Currently tremendous opportunities in the energy sector in Ontario and other Canadian provinces; some obstacles
 - ❖ Is there community consensus
 - ❖ Ownership
 - ❖ How will revenues be distributed
 - ❖ What resources does the community need to bring to the table
 - ❖ Levels of participation in the project

Financing Options

- Debt
- Equity
- Government Programs
- Joint Venture Arrangements

Capital Raising Process

- Start up capital – promoters / entrepreneurs usually finance
- May finance out of government grants
- Private angel investor may come in to finance start up costs
- Look to venture capitalists for financing

Capital Raising Process continued...

- Once business structured may go to outside sources to finance next steps
- Use a dealer to raise capital under private placements
- Investors will want an exit strategy
- When properly capitalized and operated can do a public offering

Capital Raising Process continued...

- Investors in private companies want to know that they will get their investment back with some appreciation in value
- Unusual for most companies to pay dividends
- There is no market for private company shares
- Market created by becoming public
- Private shares subject to indefinite hold
- Public company shares can be freely sold

Who Is Your Capital Raising Team?

- Underwriters/dealers sell securities on behalf of issuers
- New category of dealers called exempt market dealers can only sell in exempt markets
- Lawyers
- Accountants and auditors
- Business consultants / Investment bankers

Government sources

- ❖ Aboriginal Community Capital Grants Program – Ministry of Aboriginal Affairs
- ❖ ecoENERGY for Aboriginal and Northern Communities Program
- ❖ First Nation Infrastructure Fund – Indian and Northern Affairs Canada
- ❖ Industry Canada – Community Adjustment Fund
- ❖ Integrating Energy Efficiency/Renewable Energy Technologies into Infrastructure Projects – Indian and Northern Affairs Canada
- ❖ Large Energy Projects – Indian and Northern Affairs Canada
- ❖ Nishnawbe Aski Development Fund
- ❖ Northern Energy Program - Northern Ontario Heritage Fund Corporation
- ❖ New Relationship Fund – Ministry of Aboriginal Affairs
- ❖ Northern Ontario Economic Development Fund – Industry Canada
- ❖ Ontario Trillium Foundation
- ❖ P3 Canada Fund

Financing Approaches – Debt / Equity

- Bank borrowing and debenture / bond capital raises can be difficult
- Traditional equity raises can also be difficult
- More common approach in the energy area is raising equity capital through a financing / development structure combined with a joint venture arrangement

Why Raise Equity Capital

- Access to pools of capital
- Unlike debt no requirement to repay principal or pay interest
- Broad discretion to deal with capital raised subject to certain common law fiduciary duties and applicable statutes e.g. partnership, trust and corporate laws
- Increased liquidity, reputation

Downside To Raising Equity Capital

- Early stage companies often need to give up control and ownership to raise needed equity
- Capital raising activities are highly regulated even on the private placement side
- Transparency / accountability

Equity Participation

- Can be in an limited partnership or a corporation
- Need a dividend / distribution stream as a result of the equity participation
- Needs to have an exit strategy for equity investors

Equity Participation

➤ Corporations

- ❖ Provincial / federal
- ❖ Share structure
- ❖ Officers – CEO/COO/CFO
- ❖ Directors – composition of board
- ❖ Role of the board of director
- ❖ Registered office
- ❖ Sell shares in the corporation

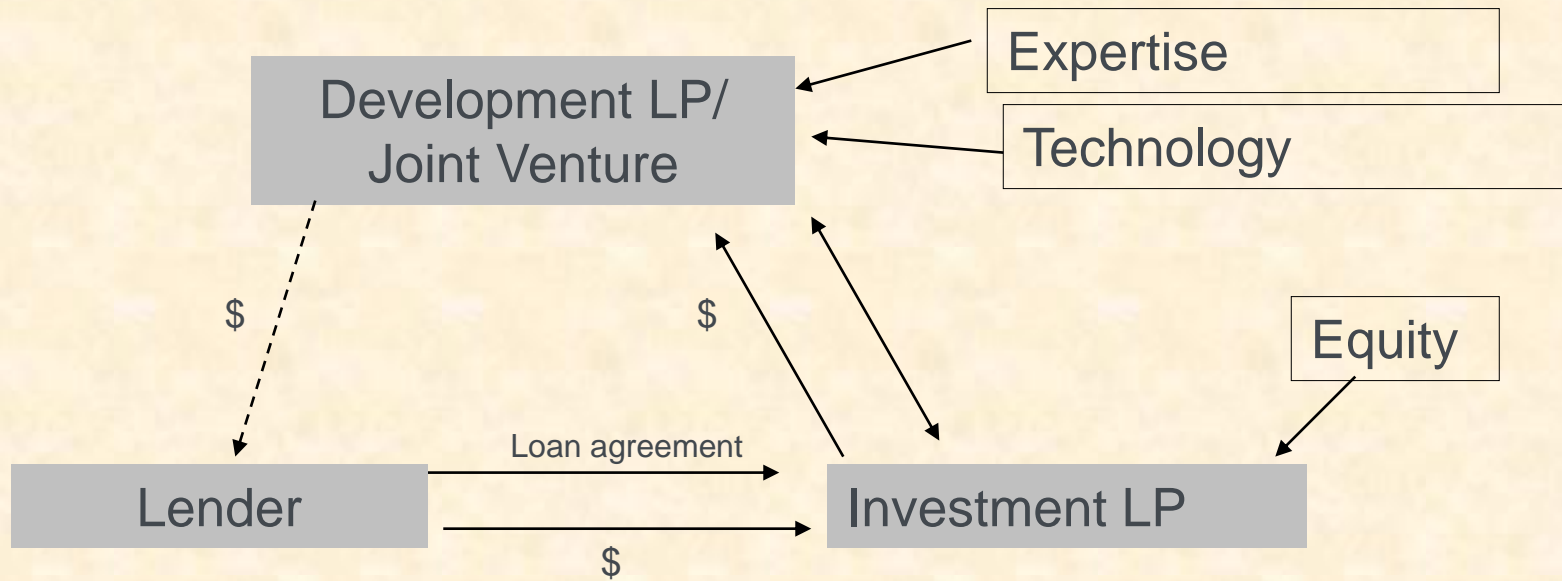
Equity Participation continued...

- Limited Partnerships
 - ❖ Limited partnership
 - ❖ General partner
 - ❖ Investment in the limited partnership
 - ❖ Register limited partnership provincially
 - ❖ General partner provincial or federal
 - ❖ Role of the general partner
 - ❖ Sell units in the partnership

Joint Ventures

- Responsibilities of parties set out in contract and limited partnership agreements
- Each parties costs and profit opportunities are set out in an agreement
- This can be combined with other structures such as a limited partnership or a corporation

Joint Venture continued



Joint Ventures continued...

- Typical structure includes a development limited partnership with a separate investment vehicle which is also usually a LP – Investment LP
- The Development LP is owned by by the various joint venture parties including the investment LP
- The General Partner of the Development LP is owned by the joint venture partners as well

Joint Ventures continued...

- Investors invest in the Investment LP
- The Investment LP invests in the Development LP
- Usually the Development LP GP is owned by the manager or GP of the Investment LP; the First Nations community and the manager / developer of the project

Joint Ventures continued...

- The First Nations community receives income / revenue from the Project from the following sources:
 - ❖ Distributions from the Development LP
 - ❖ Lease payments
 - ❖ Management and development fees

Future of Financing for Aboriginal Communities

- Adopt methods which resemble more closely those found in a non reserve / Aboriginal lands setting
- Limit dependency on government sources
- Look at joint venture opportunities where communities bring the land or other resources to the table in exchange for equity participation and outside interests provide most of funding

How Can We Help?

We are happy to discuss raising capital options in greater detail

Barbara Hendrickson

Miller Titerle LLP

215-209 Carrall Street

Vancouver, B.C. V6B 2J2

barbara@millertiterle.com

604.681.4113

647.403.4606

