

SCHEDULE “2” to the Dehcho First Nations Trust Agreement

Economic Development Investment Policy

1. Economic Development Investment Policy:

1.1. The Trust Agreement allows the Investment Management Board to authorize use of some of the Trust Income for Economic Development Investments. The purpose of the Policy is to establish a policy binding on the Investment Management Board for evaluating, approving, and structuring Economic Development Investments.

1.2. The Policy will follow certain key principles:

1.2.1. Transparency

The Policy will set out, in clear language, the process which the Investment Management Board will follow in making Economic Development Investment decisions.

1.2.2 Accountability

The Policy will set out a process for reporting to Members to ensure Members will have confidence in the integrity of the decision making process and responsible use of Trust Income.

1.2.3 Sustainability

The Policy will promote the development of capacity both in the infrastructure of the Dehcho Communities and in its people.

Definitions

2. For the purpose of this Policy, the following definitions will apply:

2.1 “Policy” means this Economic Development Investments Policy;

2.2 “Dehcho First Nations Owned Entity” means a joint venture, partnership, trust, corporation or other business organization in which the controlling interest is held by the Dehcho First Nations, or any one or more of them, and which engages in, or is intended to engage in commercial activities to generate profits and revenues to the benefit of the Dehcho First Nations, or any one or more of them;

2.3 “Family Member” means the Investment Management Board Member’s spouse, immediate family member, or someone who resides with the Investment Management Board Member;

- 2.4 “Investment Management Board Resolution” means a resolution of the Investment Management Board duly passed in accordance with the Trust Agreement;
 - 2.5 “Economic Development Account” means the Account established pursuant to clause 4.18 of the Trust.
 - 2.6 “Economic Development Investment” means financial assistance to a Dehcho First Nations Owned Entity, that is not an Authorized Investment as contemplated by the Trust Agreement, and may include private equity investments, loans and loan guarantees;
 - 2.7 “Trust Agreement” means the Dehcho First Nations Master Trust Agreement; and
 - 2.8 “Trust Income” means income and capital gains from investment of the Trust Fund specifically made available for Economic Development Investments in accordance with the Trust Agreement.
3. Terms defined in the Trust Agreement have the same meaning in the Policy.

4. Economic Development Investments

- 4.1 The Trust Agreement provides that some of the Trust Income can be used for Economic Development Investments as directed by the Investment Management Board pursuant to this Policy.
- 4.2 The total amount placed in Economic Development Investments cannot exceed the amount available in the Economic Development Account as determined in accordance with the Trust Agreement. Amounts taken out for Economic Development Investments upon being repaid shall be returned to the Economic Development Account to allow for further Economic Development Investments to be made.
- 4.3 Until the Trust is capable of self sufficiency the emphasis in considering Economic Development Investments will be on equity investments rather than loans and loan guarantees.

5. Submitting Proposals for Economic Development Investments

- 5.1 Any Dehcho First Nation Owned Entity or any Dehcho First Nation may make a proposal for an Economic Development Investment.
- 5.2 A proposal for an Economic Development Investment must be submitted with the prescribed application form along with the applicable deposit for the cost of the independent review of the business plan, if required.
- 5.3 All Economic Development Investment proposals must be submitted with a comprehensive business plan.
- 5.4 The business plan must contain the following:

- 5.4.1. an executive summary;
- 5.4.2. a description of all members of the management team, principals, and key employees, including each person's:
 - 5.4.2.1. education;
 - 5.4.2.2. work experience;
 - 5.4.2.3. experience relevant to the business venture;
 - 5.4.2.4. the extent of their financial investment and stake in the business;
 - 5.4.2.5. representations as to whether the person or any business venture in which they participated as a member of a management team, principal or key employee became bankrupt or was placed into receivership or creditor protection arrangements;
 - 5.4.2.6. whether the person or any business venture in which they participated as a member of a management team, principal or key employee has any unsatisfied judgments or writs of enforcement against him, her or it, as the case may be;
- 5.4.3. a description of the nature of the business engaged in by the Dehcho First Nations Owned Entity;
- 5.4.4. a description of the marketing program, if any, used to market products of the business and a review of the success of that marketing program;
- 5.4.5. a description of the business's operations;
- 5.4.6. the location of its business premises and whether the premises are owned, mortgaged, or leased;
- 5.4.7. the number of employees or independent contractors engaged by the business;
- 5.4.8. for a new business, the extent to which other funds have been secured for start up and operation;
- 5.4.9. for existing businesses, a copy of the most recent audited financial statements of the business or, in the discretion of the Investment Management Board, financial statements prepared by a third party including the amount of any compensation paid to directors, principals, senior management, and key employees;
- 5.4.10. representations as to the financial projections, including cash flow statements, for the business for a three (3) year period and the factual basis upon which the financial projections are based; and

5.4.11. other information as may be required by the Investment Management Board.

5.5. In the case of a proposal for an Economic Development Investment in the nature of a loan, the applicant must, in addition to submitting a business plan, complete the prescribed loan application form.

6. Evaluating Proposals for Economic Development Investments

6.1. The Investment Management Board, having due regard for its fiduciary obligations and the need to ensure responsible use of Trust Funds, shall consider any proposed Economic Development Investment having regard for the following factors:

6.1.1. the total amount of the proposed Economic Development Investment having regard for the limits on Economic Development Investments set out in the Trust Agreement and how much of the available Economic Development Account is already held in Economic Development Investments;

6.1.2. the business plan and the overall strength, reliability, and promise of the proposed venture or use of funds;

6.1.3. whether the management team, principals, and key employees involved in the business have a proven ability to effectively manage a business or have the required knowledge and skills to manage a business;

6.1.4. the overall viability of the proposal including a realistic assessment of the potential to produce income sufficient to cover operating costs, repayment of loans, and sustain long term profitability;

6.1.5. the extent to which the Economic Development Investment involves more than one Dehcho First Nation;

6.1.6. the extent to which employment opportunities will accrue to Members;

6.1.7. the nature and extent of any subsequent and spin off economic benefits of the proposed Economic Development Investment; and

6.1.8. the credit worthiness of any loan applicant and availability of sufficient security to repay any proposed loan.

6.2. The Investment Management Board may, where it considers it advisable to do so, seek the advice of independent investment or business consultants or Members to evaluate the merits of any proposed Economic Development Investment. All applications for Economic Development Investments exceeding \$100,000.00 shall require independent analysis of the business plan by a consultant selected by the Investment Management Board and the applicant, by mutual agreement. One half of the cost of the consultant will be the responsibility of the applicant which shall be paid prior to any application being considered.

The threshold requiring independent analysis of a proposed Economic Development Investment will be reviewed by the Investment Management Board every three (3) years.

- 6.3 The Investment Management Board shall abide by its conflicts of interest guidelines as set out in section 10 herein, when evaluating proposals for Economic Development Investments.
- 6.4 The Investment Management Board has no obligation to give consideration to any proposal for an Economic Development Investment and any proposal which does not include the information required by this Policy may be rejected by the Investment Management Board.
- 6.5 In the event a proposed Economic Development Investment is rejected the Investment Management Board shall return the application and all materials submitted by the proponent along with a brief written explanation of the reasons the proposal was rejected.

7. Approval of Economic Development Investments and Obtaining Proceeds Out of the Economic Development Account

- 7.1. The Investment Management Board shall document approval of any Economic Development Investment, including any terms and conditions, in writing and the approval document shall include brief commentary on the Investment Management Board's assessment of the factors set out in paragraph 6 above (Evaluating Proposals for Economic Development Investments).
- 7.2. The Investment Management Board shall forward an Investment Management Board Resolution to the Trustee indicating approval of an Economic Development Investment, directing the disposition of the funds or the setting aside a reserve of funds required for the Economic Development Investment, and appending copies of:
 - 7.2.1. the approval document described in this Policy;
 - 7.2.2. the business plan;
 - 7.2.3. the application documents; and
 - 7.2.4. the specific terms and conditions governing the Economic Development Investment.
- 7.3. The Trustee shall determine if sufficient funds are available for the Economic Development Investment and, if so, shall deliver or set aside funds for the Economic Development Investment as directed in the Investment Management Board Resolution.
- 7.4. Prior to release of funds to the applicant, the Trustee shall enter into an agreement with the applicant which shall document the obligation for the recipients, including financial reporting and other terms and conditions as may be required by the Trustee and the Investment Management Board.

- 7.5. The Investment Management Board shall undertake all reasonable due diligence to ensure that loans are repaid in accordance with any loan agreements and, if commercially reasonable, may require that loans are secured by mortgages, personal property security agreements, personal guarantees, or such other security as may be required by the Investment Management Board in its absolute discretion.

8. Disclosure to Trustee

- 8.1. The Investment Management Board shall, ensure the following information is provided to the Trustee for purposes of inclusion in the Trustee's annual report:
- 8.1.1. the recipient of any Economic Development Investment;
 - 8.1.2. the total amount invested in Economic Development Investments and the breakdown of how much is invested in loans, loan guarantees or equity investments; and
 - 8.1.3. the total amount remaining in the Economic Development Account available for investment in Economic Development Investments.
- 8.2. The Investment Management Board shall ensure that information sufficient to prepare year end reporting on the performance of any Economic Development Investment is forwarded to the Trustee within a reasonable time such that the Trustee may include that information in the Trustee's annual report and financial statements.
- 8.3. The Trustee shall not be required to certify any financial information respecting an Economic Development Investment.
- 8.4. The Investment Management Board shall ensure that copies of all documents and records of approved Economic Development Investments shall be maintained at the office of the Trustee until the loan or loan guarantee has been retired or the investment has been sold.
- 8.5. The Investment Management Board shall ensure that the Trustee's annual report is presented to the Members each year.

9. Amending Procedure

- 9.1. In addition to the amending procedures contained in the Trust, the Investment Management Board, from time to time, may amend this Policy in whole or in part as follows:
- 9.1.1. The Investment Management Board approves, in principle, proposed amendments to the Policy;

- 9.1.2. The Investment Management Board gives notice to Members, by such means as the Investment Management Board may consider appropriate in all of the circumstances, of an intent to amend the Policy;
 - 9.1.3. Proposed amendments are presented at a Leadership meeting at which Members are afforded an opportunity to express any concerns and ask questions; and
 - 9.1.4. The Leadership may enact the amendments by Dehcho First Nation Resolution.
- 9.2. Amendments that have not followed the required procedures are of no force or effect.
 - 9.3. Nothing in the amending procedure or in this Policy may have the effect of amending or altering any requirement of the Trust Agreement.

10. Conflict of Interest Guidelines

- 10.1. Duty to Disclose: An Investment Management Board Member who or whose Family Member:
 - a) is a member of a Dehcho First Nation proposing an Economic Development Investment, or has a material interest in a proponent of an Economic Development Investment, or is a party to a material contract, or proposed material contract with a Dehcho First Nation proposing the Economic Development Investment; or
 - b) is a director or an officer of or has a material interest in any Dehcho First Nation Owned Entity that is a proponent of an Economic Development Investment or is a party to a material contract or proposed material contract with a proponent of an Economic Development Investment;

will disclose in writing to the other Investment Management Board Members or will request to have entered in the minutes of meetings of the Investment Management Board, the nature and extent of such Member's or their Family Member's relationship and extent of his or her interest.
- 10.2. Timing of Disclosure: The disclosure required of an Investment Management Board Member by paragraph 10.1 of the Policy will be made:
 - a) at the meeting at which a proposed Economic Development Investment is first considered by the Investment Management Board;
 - b) if the Investment Management Board Member or their Family Member was not then interested in a proposed Economic Development Investment, at the first meeting after he or she becomes so interested;
 - c) if the Investment Management Board Member or their Family Member becomes interested after an Economic Development Investment is made, at the first meeting after he or she becomes so interested; or

- d) if a person who is interested in an Economic Development Investment becomes an Investment Management Board Member subsequent to approval thereof, at the first meeting after he or she becomes an Investment Management Board Member.
- 10.3. Exclusion of Discussion: An Investment Management Board Member who has an interest or whose Family Member has an interest as described in paragraph 10.1 of the Policy will not take part in discussions or deliberations concerning any such proposed Economic Development Investment, nor will they participate or vote on any resolution dealing with such Economic Development Investment.
- 10.4. Method of Disclosure: For purposes of section 10 a general notice to the Investment Management Board by an Investment Management Board Member declaring that he or she has an interest as described in paragraph 10.1 herein, and is to be regarded as interested in any proposed Economic Development Investment made with the proponent, is a sufficient declaration of interest in relation to any Economic Development Investment so made.
- 10.5. In the event the application of s.10.3 above results in a majority of Investment Management Board being disqualified from voting on a resolution with respect to proposed Economic Development Investment, the remaining Board Member(s) shall refer the decision to a panel made up of the non-conflicted Board Member(s) and as many additional persons as are needed to equal a majority of the Investment Management Board to be selected from a list of persons with past Investment Management Board or business experience which list shall be established by the Investment Management Board from time to time.