Chief Peguis Investment Corp Update

From the Chair of CPIC

CPIC Board of Directors are continuing to meet – in person and on ZOOM – to conduct the affairs of the corporation in accordance with best business practices and, ultimately, in the best interests of Peguis community members. This update comes at a time where challenges posed by Peguis council announcement of corporate restructuring and the winding down of the Bridging Financing Inc (BFI) to liquidate loan assets (in which Peguis FN now owes in excess of $140 million) weighs heavily on the CPIC agenda and outlook. The Board of Directors believe that it is in the best interests of Peguis community to know facts so that they can make informed judgements and decisions about their future to the fullest extent possible. We invite Peguis citizens to contact our administrative staff and send us questions or comments which you may have pertaining to this update.

Don Wilson, Chair CPIC
Contact:
info@chiefpeguisinvestments.ca

Recent developments

PDC rents office space including retail space for pharmacies and other businesses at several locations from CPIC (1065 Portage Ave, 1075 Portage Ave, 620 Manitoba Ave in Selkirk). For the past two years, PDC has not paid rents and is now in arrears of over $600,000. The profits realized from office leases at these locations are designed to flow to Chief Peguis Investments Trust (elections to fill vacant trustee positions has been announced). To date, there are no profits to flow to CPIT despite improved revenues following a revamp of the rental regime in 2017 and other improvements.

As a business, CPIC real estate leasing had no other recourse, than to follow standard landlord-tenant procedures in such cases and issue eviction notices. Accordingly, eviction notices were issued Jan. 14, 2022.

Instead of working with CPIC on the payment of arrears, Peguis First Nation Council, inexplicably, has retaliated by directing all Peguis FN entities (Peguis School Board, Peguis Training & Employment, Peguis Technical Services) to also cease paying rents to CPIC.

CPIC is a guarantor of Peguis FN under the BFI debt which is now in the hands of a court-appointed receiver, PriceWaterhouseCoopers, to sell off BFI through a bid process (see this update). CPIC has informed PWC of the rental arrears situation and recommended a way that it can contribute, as guarantor, to repayment of the BFI debt. So far, Peguis FN has not submitted a repayment plan to PWC, or shared it with CPIC. CPIC board of directors regrets to advise Peguis band members that the matter remains unresolved. We believe we are acting in the best interests of the corporation and the People of Peguis First Nation.

Who are the CPIC Board of Directors? Updated

Don Wilson – chair and interim CEO, Noah Wilson – interim COO, Albert Sutherland – vice chair, Rhonda McPerson, James Wastasecoot

BFI debt

CPIC, as co-guarantor of the Peguis FN debt to BFI, has worked hard to come up with a way to contribute to the repayment of the loans which now total upwards of $140 million. CPIC has developed a plan which has been forwarded to PWC. The information forwarded includes:
Copies of all leasehold arrangements
Proposed schedule of repayment
List of all rental Income including Common Area Maintenance charges
Projected income from Flint and Embers
CPIC budget for 2022 – 2023
Provided all goes well, in total, CPIC projects contributions to repayment of the BFI debt in the amount of $800,000 for the coming year.

CPIT Trustees remain vacant

As long as the CPIT remains inoperable due to lack of trustees, we cannot return revenues to CPIT. CPIC and other organizations including the community trusts have reminded Peguis Chief and Council that this needs to be addressed as soon as possible. On October. 29th / 2021, Peguis First Nation made a public announcement requesting an Electoral Officer to undertake Trustee's Election for the Chief Peguis Investment Trust. This post has now been removed from the official Peguis First Nation Website and there has been no movement on this initiative since then. On January. 14th / 2022, Peguis First Nation issued a notice accepting applicants for 23 various Peguis First Nation Boards and Committees including Peguis Development Corporation (PDC). It should be noted that this notice failed to mention any updates regarding the CPIT and Community Trustee Elections which have now been neglected for several years. Based on the corporate structure of CPIT, the election of CPIT Trustees must be prioritized as they are the only Peguis entity with the authority to appoint any new PDC or CPIC Board Members.

The PriceWaterhouseCoopers receiver seeks court approval to wind down BFI rather than continue with sale process

As previously reported in CPCI updates, Peguis First Nation made several borrowings from Bridging Finance Inc (BFI) in the period Feb. 2019 – Apr. 2020. The BFI Debt now stands in excess of $140 million and Peguis FN has not repaid any monies to date. The details of how the First Nation ran up a debt of can be read in the March 2021 update which is available on the CPIC website (www.chiefpeguisinvestments.ca).

On April 30, 2021, an Ontario court appointed PriceWaterhouseCoopers to be charge of a sale and solicitation process to recover monies for investors. On Feb. 21, 2022, the Globe and Mail reported that PWC was going to court for approval to abandon the sale process (the bids were too low), and instead, liquidate "the loan portfolio that PWC estimates will ultimately return 34 percent and 42 of Bridging's net asset value to its investors." The court, citing the chaos the hearing precipitated in filings from the various interests involved, postponed the hearing on Feb. 25, 2022 and it will now be heard in late March.

The PWC proposal raises many questions about the Peguis BFI debt and how it might be handled should the receiver be granted court approval. CPIC Board of Directors remains committed to working with the First Nation council to address these and other issues that may arise in the best interests of the Peguis community.

BFI Concerned Unitholders object to PWC proposal

Shareholders of the BFI debacle stand to lose a lot of money and are demanding an investigation in the PWC handling of the sale process. The following press release by the unitholders reveals troubling assumptions by PWC that valued First Nations security at zero. This has implications beyond the BFI matter by impugning the credit worthiness of all First Nations.

Concerned Unitholders of the Bridging Finance Funds call for a vote to determine the best outcome for investors

Feb 14, 2022, 21:00 ET

TORONTO, Feb. 14, 2022 /CNW/ - A growing number of Unitholders of the Bridging Funds are calling for a separate investigation into the sales process of the BFI funds being conducted by the receiver (PwC). The group of Unitholders maintains that PwC is attempting to insert itself as an option for investors in a bid to wind down the funds while collecting exorbitant fees over 5 years and causing extensive losses to the portfolio. The Unitholders say PwC has been unable to determine a Net Asset Value for the funds after 10 months, which suggests that an active Private Debt manager is in the best interest of all investors.

In webinars hosted for investors by PwC and Bennett Jones (the law firm for investors) on February 7th and 11th, 2022, the Unitholders said it became very evident that BlackRock, the world's largest asset manager with multiple private debt funds, is the best option for a positive long-term investment. They contrast that to PwC's proposed 5-year wind down where they would be charging investors high fees, and where they have a material conflict of interest in recommending themselves as the best option.

It should be noted that PwC has no experience managing private debt and is not a registered portfolio manager. The Unitholders are concerned that PwC continually projects large portfolio losses while failing to work on recovering certain loans, including First Nation loans with an approximate value of over $250 million. The Unitholders say PwC has recklessly valued those loans at zero, despite the fact the loans have sufficient collateral. They insist there are many options to work with the First Nations to collect on the loans. In addition, the Unitholders say there has been no mention of the availability of $400 million in cash available to be distributed to Unitholders.

The Unitholders encourage all investors who are interested in optimizing their BFI investment to strongly consider demanding a Unitholder vote, to push for active management as opposed to a wind down where there is no recourse in terms of investor input once the decision has been made. They say the time to act is now before more losses are unnecessarily and unreasonably thrust upon Unitholders.

SOURCE Concerned Unitholders of Bridging Finance Inc.

For further information: For comments or questions, please email BFI-concernedinvestors@protonmail.com, or reach out to Bennett Jones and demand a fair process and vote.

Grand Opening of 620 Manitoba Ave, Selkirk

Terra Indigena is published monthly and distributed to First Nations and Peguis citizens at Winnipeg, Selkirk, Peguis and other locations. Terra Indigena is an independent newspaper that is fact-based and grounded in the evolving developments of our community. We welcome all viewpoints that contribute to the conversation.

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How has CPIC evolved as a business?

TWCC hired as management November 2017

In November 2017, CPIC management was taken over by Tribal Wichi-waywin Capital Corp CEO Allan Park and Kevin Reynolds of RCI Inc. Toronto. Upon taking control of the CPIC offices, management made the following discoveries:

- The funds and financial records had disappeared for the period 2015 - 2017.
- Despite having earned revenues from 1075 Portage Ave office rents, the former management had racked up accumulative losses of $2,665,719 (inception to November 2017).

When the fiscal year ended March 31, 2018, CPIC reported the following results:

- TWCC had cut the deficit by 50 percent, registering an operating loss of $346,352.
- TWCC then discovered that the payroll was being paid by Peguis and therefore had to be paid back to Peguis. The accumulated total at the time was in excess of $800,000.

Since Nov. 2017, under the TWCC team, led by Alan Park, a band member and advisor, Kevin Reynolds from RCI, CPIC has turned around registering a progressive improvement of financial performance - including paying their own payroll.

How did CPIC turn around and start making money?

This was a two-fold strategy.

Firstly, CPIC did some house-cleaning as follows:

- The CPIC team conducted a current state analysis of the building (1075 Portage Ave), and concluded that the focus should be on maximizing revenue by trying to fill rentable space while addressing neglected infrastructure issues.
- Complete revision, and in some cases, creation of bylaws, policies and appropriate rental regime - at the time, no tenants were paying CAM (Common Area Maintenance) fees (eg. janitorial, security, insurance, all tenants pay a portion of this). All tenants were paying base rent. CAM can be formulated at 1/3 of the base rent. This meant CPIC was shortchanged almost 50% to 75% of the revenue.
- Another problem uncovered was that no two leases were the same. Ultimately, everyone was paying a different rate! And the space measurements were all wrong. This was corrected so that everyone was paying same base rate and CAM rate. This improved our performance by 40%.
- Management increased occupancy to 100%, partly due to the reversion to Treaty land status.
- Under the previous management, CPIC had adopted the practice of paying for new tenants' improvement which is unheard of in the industry. CPIC changed this so that new tenants were responsible for leasehold improvements. However, CPIC would offer financing of the leasehold improvements through a repayment plan embedded in their lease.

Secondly, CPIC embarked on a team review of over twenty opportunities, internally sourced, referred by Chief and Council, or referred by other contacts in the space. More than half of those were rejected in the review/due diligence process. Nine material items were identified, and work begun to move these forward or completed.

BMO loan 2015

In 2015, PFN moved its banking from RBC to BMO. Among other standard terms & conditions, PFN agreed not to enter into any loans without advising BMO. In July, 2017 PFN was facing crisis shortages in housing on the reserve and employment opportunities for members. PFN retained the services of USAND Group on a fee-based model. USAND was paid a fee for negotiating the BMO banking relationship and subsequent financing from Bridging Finance Inc. (BFI). In all, USAND brokered three financial arrangements worth over $37 million and was paid in excess of $7.2 million in fees. To overcome the crisis of housing and jobs, PFN proceeded with the arrangements.

Atriam at 1065 Portage Ave grand opening.

Bridging Finance Inc. Loan

In July 2017, (4 months prior to TWCC assuming management of CPIC) Peguis First Nation entered into a loan agreement with Bridging Finance Inc. to finance business opportunities that had been reviewed and selected by Chief & council for immediate development. This loan facility to PFN put PFN in breach of their covenant with BMO. These are listed in the following table:

BFI initial facility (2017) was for:

- Housing
- 3 gas bars
- Basic short term operational expenses that needed to be covered as well as the USAND broker fees.

Total $32.2 million

BFI second loan facility

In the period 2016 - 2017, as a result of defaulting on loan payments with BMO, BMO called in their loan forcing PFN to come up with approximately $30.4 million in thirty days. This is when PFN took on a second loan facility with BFI in order to pay out the BMO loan and to begin an aggressive expansion of business development to service the accumulated debt. In addition Peguis, yet again, paid a fee to USAND (for negotiating the second facility).

Up to this point, PFN had borrowed $60.6 million from BFI. In subsequent years, PFN borrowed an additional $30 million through various smaller facilities such as, funding for the January to April "last quarter funding challenges." This was complemented by additional loans for various projects.

The goal was set to ultimately return to a mainstream banking relationship upon the completion of a build up of businesses and self generating revenue.

A mainstream bank would enable PFN to pay off the debt owed to BFI over, say, 10-15 years, at a much lower interest rate. At this point, Peguis was in debt to BFI in the amount $93.5 million (principal only).

NOTE: As of this date, PFN's total debt load is approximately $140 million+ (principal and interest).

It is important to remember that, in business, not all ventures are successful right off the start. This was the case in the $10 million investment made by PFN in the cannabis market in 2018. Shares dropped drastically shortly after the investment, resulting in 99% share decline. This was a reflection of the almost total collapse of the cannabis industry across Canada. However, the trend for the future is improving as the cannabis industry matures and more markets open up in Canada.

1075 Portage Ave office leasing is managed by CPIC. Since 2017, the office lease business has turned around and has been paying 100% of staff salaries, rents are 100%, and as a busiess model, the outlook remains promising.