

## Chief Peguis Investment Corporation

### Background and Responses to Questions

#### Peguis Community Meeting – March 24, 2022

#### Background

Chief Peguis Investment Corporation (CPIC) is a subsidiary owned by Chief Peguis Investment Trust (CPIT).

It is mandated to work in two areas:

1. Provide Property Management Services for select Peguis Community owned properties, with the objective of preserving the value of these facilities and generating profits for CPIT. Under this mandate CPIC manages the following Properties
  - a. 1075 Portage Avenue, Winnipeg
  - b. 1065 Portage Avenue, Winnipeg
  - c. 1386 Main Street, Winnipeg
  - d. 620 Manitoba Street, Selkirk.
2. Provide project and investment management for Peguis as directed by Peguis Chief and Council and as selected by the Board of CPIC and the Trustees of CPIT. At this time, CPIC is not managing any projects on behalf of these parties. Prior to January 2021 CPIC managed and delivered on the following Projects/Investments:
  - a. Build of a Strip Mall at 1065 Portage Avenue and fit out of four businesses
    - i. Flint and Ember Cannabis Store (Now Managed by CPIC)
    - ii. PHC Pain Clinic (Managed by PHC in partnership with CPIC)
    - iii. Peguis Pharmacy (Owned and managed by Peguis Development Corporation PDC)
    - iv. Peguis Tobacco Kiosk (Was owned and managed by PDC – Now Closed)
    - v. Second Floor of 1065 is currently vacant and up for lease
  - b. Build of a Strip Mall at 620 Manitoba Street and fit out of three businesses
    - i. Gas Bar / Convenience Store (Now owned and managed by PDC)
    - ii. PHC Pain Clinic (Managed by PHC in partnership with CPIC)
    - iii. One unit is currently vacant and up for lease
  - c. Aski Capital investment
  - d. Cura Can Investment
  - e. PHC Pain Clinic Investment

In January of 2021, following disagreements between the parties, Chief and Council removed CPIC from all their projects and turned them over to new management teams led by Andrew Marquez, a private property developer from Winnipeg, and Jacques Marion, a partner with the BDO Accounting firm. Prior to that, CPIC had also been managing the following major projects:

- a. Warman Road Licensed Producer Relationship with MJardin
- b. Warman Road property acquisition
- c. POPCANN Cannabis Store development on Peguis Main Reserve
- d. Project to secure a new mainstream Banking Relationship for Peguis

#### Head Office

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A core objective behind the formation of CPIT and CPIC was to maintain a separation between the political arms of the Peguis Community and the business arms of Peguis that are responsible for development and operation of businesses seeking to deliver profits back to the community. As such, while CPIC does provide management and support activities as requested by Chief and Council on their projects, we do not take direction or instruction from Chief and Council on businesses owned and operated by CPIC. On owned businesses, CPIC takes instructions from its Board of Directors and the Trustees of CPIT.

CPIC is an apolitical entity and does not involve itself in any political activities in Peguis or any other forums. Our presence at today's Community Meeting should not be interpreted as being in support of any candidates, potential candidates or political positions.

CPIC is present at today's meeting in response to a request to provide updates to the community only on matters in which we have been involved in our role as program manager or owner of Peguis businesses. Given the restrictions on gatherings imposed on Canada for the last two years, the normal Community Meeting have not occurred and there has been limited opportunities for open sharing with the community.

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## **CPIC Responses to Specific Questions from the Peguis Community Members**

### ***Q1 – What is the situation regarding the investment made in the Cura Can Company?***

A1 – Peguis invested \$2MM into Cura Cann over the course of 2018, through CPIC. CPIC currently holds the asset on our books. Cura Cann completed the process of launching part of its operations as a publicly traded company called Pathway Health Corporation in May of last year. Cura Cann has been placed into receivership by its major lender, ADH, who is also a major shareholder. CPIC management is working with the ADH and the courts as plans are developed and approved for restructuring the company. The goal is to ensure the value of our investment is recognized and maintained through this process. The process of resolving the current issues and establishing the new entity is expected to run through June/July of this year. CPIC management will be participating in the process.

### ***Q2 – What is the situation regarding the investment made in Aski Capital?***

A2 – The Aski business struggled through the two year pandemic making a small profit in 2020 and is projected to have a small loss in 2021. Aski management believes they will see a solid recovery in 2022 and a return to profitability. The objective remains to commence distribution of dividends once the business achieves profitability in the \$500,000 range. This goal is targeted for 2023.

### ***Q3 – What is the situation regarding the investment made in the PHC Pain Clinics?***

A3 – Given COVID restrictions the clinics have primarily operated only virtually since launch. These restrictions led to limited revenue in the first partial year of operation. PHC is projecting near breakeven for the current year and profitability by next year. Effectively, COVID has delayed revenue expectation by 18-months. CPIC continues to monitor and manage the relationship, and support their efforts to develop specialized programs for Peguis members.

### ***Q4 – What is the situation regarding the investment in Flint and Ember?***

A4 – Given the timing in which the license was granted and staff retained, CPIC was forced to open the new store just as the first impacts of COVID were being experienced. Sales were extremely slow over the first 12 months of operation. For the last six months of 2021 sales revenue grew steadily and by year end the store numbers were approaching breakeven levels for the last two months of the year. Results for January and February, traditionally the slowest months in retail, have fallen off significantly. F&E management continue to work promote the business and deliver solid customer service. The objective is to work towards a strong rebound in Spring sales and carry that trajectory for the remainder of 2022.

### ***Q5 – What is the situation regarding the Projects that were removed from CPIC management?***

A5 – CPIC can only provide a view up to the time we were removed, and our understanding of the current status from publicly available information. Updates on these projects will need to be provided by the new parties leading the activities

#### ***a. Warman Road Licensed Producer Relationship with MJardin***

We understand that this project has been cancelled by the parties. The new Peguis team indicated they did not believe in the viability of the project and that superior investment opportunities were available to Peguis in the area of property development.

**b. Warman Road property acquisition**

The property purchase was not completed by the new team as they did not believe in the LP project. The property was partially purchased by the TLE, with MJardin retaining the remaining interest in the property. It is our understanding that the property has been or is in the process of being sold. Proceeds will be used to pay related fees and the remainder applied against the overall Peguis debt owed to BFI.

**c. POPCANN Cannabis Store development on Peguis Main Reserve**

This project was abandoned by the new team. We are not aware of the reason for this decision.

**d. Project to secure a new mainstream Banking Relationship for Peguis**

We are unaware of any progress on this project. Repeated commitments made over the course of 2021, to provide updates on discussions with new potential bankers have not materialized.

*From the List of Questions from the Community*

**Q36 - We want to see the PDC, CPIC and Band audits all together. When we see all the audits together, then that's the actual debt that the band is in.**

A36 – We will not attempt to answer the question for the entire Band, however the full amount of debt held by CPIC is reported on our Financial Statements. Our latest one is in progress and will be released in the next month. CPIC has debt that was taken onto our books at the request of Chief and Council. Our last statement shows approximately \$17.2MM in debt. It breaks down as follows:

1. \$1.5M borrowed and loaned to Peguis Development Corporation and has never been repaid. We are going to take actions to determine where these funds were spent and why it was not repaid.
2. Warman road – \$3.2MM which was the amount invested in the project prior to Chief and Council removing CPIC as the managers and replacing us with Andrew Marquez. CPIC will be moving this item back to Chief and Council
3. Popcann project – \$0.54MM which was the amount invested in the project prior to Chief and Council removing CPIC as the managers and replacing us with Andrew Marquez. CPIC will be moving this item back to Chief and Council
4. Growforce – \$6.5MM which was the remaining unpaid amount of a loan to Growforce prior to Chief and Council removing CPIC as the managers and replacing us with Andrew Marquez. CPIC will be moving this item back to Chief and Council
5. Flint & Embers Cannabis Store - \$1.5MM spent on the buildout and supplying of the retail store at 1065 Portage
6. The remainder of approximately \$4.0MM was incurred for some of the build and fitting out of the two new strip malls at 1065 Portage in Winnipeg and 620 Manitoba in Selkirk.

**Q43 - We want all the salaries of all the directors, boards, committees, etc., made public, just like the Chief & Council's were posted.**

A43 – The Board members of CPIC do not draw any salaries for the position. Board Members receive a stipend for each duly called board meeting which they attend. They do not get any compensation for information and update

meetings. More than half of all CPIC board meetings are NOT duly called and board members receive no compensation. The total amount paid to all board members, as well as any expenses related to these meetings, is reported in our annual reports. These reports are prepared by MNP.

## Bridging Finance

***Where did the monies for from the loans? Specifically, how much was spent on the Assiniboine Downs, Warman Road, and the Meadows and where is the money?***

A1 – The monies borrowed from Bridging Finance were directed to Peguis and some of it was allocated to various projects. CPIC can and has provided detailed reports on every dollar spent to both our own auditors (MNP) and to Peguis’ auditors (BDO). There were no monies unaccounted for in either process. To the best of CPIC’s knowledge, the funds from BFI were distributed approximately as outlined in the chart below. We do not make any comments on actual use of funds directed to any group other than CPIC and projects managed by CPIC. (Numbers in the chart below are in millions of dollars)

Peguis Loan Principal - Areas Invested					
<b>Housing / Other</b>					
<b>Legal/Other</b>	<b>Peguis Direct</b>	<b>BMO</b>	<b>Housing</b>	<b>Total</b>	<b>% of Total</b>
1.80	7.15	24.1	\$ 13.00		
2.10	2.40		\$ 4.90		
1.20	1.10		\$ 2.00		
\$5.10	\$10.65	\$24.10	\$19.90	\$59.75	64%
<b>Equity</b>					
<b>Cura Can</b>	<b>Mjardin</b>	<b>Aski</b>			
\$2.00	\$10.00	\$1.10			
\$2.00	\$10.00	\$1.10		\$13.10	14%
<b>Revenue Generating</b>					
<b>PDC</b>	<b>Warman</b>	<b>POPCANN</b>	<b>Strip Malls</b>		
\$1.60	\$2.00	\$1.00	\$15.80		
\$1.60	\$2.00	\$1.00	\$15.80	\$20.40	22%
<b>Grand Total - Principal Borrowed</b>				<b>\$93.25</b>	

## Warman Road:

***If Warman Rd. is sold, will the funds go back into the Trust? And what assurances do we have that this money go back to the trust?***

CPIC Response: Please also see our statements on this project on page 4 of this handout. CPIC was removed from the management of the Warman Road Project in February of 2021. We were replaced by a team led by Andrew Marquez. We understand that the project was halted and the new team, acting as representatives of Chief and Council,

conducted negotiations with MJardin and PwC. The end result has been the cancellation of the project and sale of the entire facility. The proceeds of the sale have been turned over to PwC as the receiver for Bridging Finance.

#### **Questions submitted via email**

***Q18 - Isn't that a conflict of interest when Glenn Hudson sat as Director of MJardin and was also the Chief of Peguis? Isn't that like selling the land to himself at the best price so he can make a personal profit?***

A18 – No, there was no conflict of interest breach in the process. MJardin is a publicly traded company and has rigorous standards for board members who have any relationship to a proposed transaction. Chief Hudson was declared to be in a conflict for any transaction involving Peguis and MJardin. Because of the declared conflict, Chief Hudson was excluded from all discussions related to those transaction and was not allowed to vote on these matters.