



# Peguis First Nation Community Update

Chief & Council and CPIC Led Initiatives

October 2018



# Background

- Chief and Council and the CPIC leadership team will be providing an update to community members on progress to date made by CPIC on the strategic mandate provided at the start of the year
  
- CPIC was to focus on three major objectives for the year
  1. Rejuvenate the operations and governance of the CPIC organization
  2. Assess and recommend new strategic ventures and investments for the community
  3. Manage the implementation of approved ventures
  
- A list of Priority Activities were identified to focus leadership activities and provide context for business decisions

## CPIC Performance – Priority Activities Status

Priority Activities	Status	Comment
Review and confirm that the CPIC Board is duly constituted, and that the roles currently filled (of the Officers and Directors) are in line with the requirements of CPIC's Resolutions and By-laws and applicable legislation;	Complete	Per review in first two Board meetings and verification with Legal and Audit
Review current legal structure and determine if it is appropriate for achieving strategic, operational and functional objectives; and	Complete	Completed as captured above
Conduct a strategic planning session with the CPIC Board to clearly define and document the mandate, objectives, strategy and tactics for CPIC;	Complete	Per strategic planning session held with BOD. CPIC team also participated in sessions with other PFN entities to align direction / leverage
Develop an operational plan for the remainder of 2017 and establish a delivery date for the 2018 plan;	Complete / On Going	Base plan completed. There has been fluctuations as initiatives have been overlay and revised in negotiations
Establish an inventory/action log of all active negotiations and business opportunities being undertaken or in discussions by CPIC, and move to take a leadership role in their future direction and terms.	Ongoing	Detailed statuses provided in later sections.

# Existing Strategic Investments – 1075 Portage

- At the start of the year, CPIC had only one Investment (1075 Portage)
- The focus was on trying to fill rentable space, maintain rapidly failing infrastructure and developing a business case to support a multi million dollar retrofit of the main building systems (Heating, AC, Windows, etc.)
- The CPIC leadership team conducted a current state analysis of the building, remediation needs and revenue generating outlook post remediation and concluded that the approach was flawed
  - No level of remediation would allow the building to classify as more than a Class C
  - Revenue even at 100% occupancy could not provide a positive return on the investment
- A more appropriately focussed “Best Use” analysis of the property potential suggested an alternate strategy
  - Option to develop a low-rise retail footprint at the front of the property **(In Progress)**
  - Build a high-profile mixed use multi-story building targeting Class A/B in the rear of the property and migrate existing leases from current building
  - Raze existing building and develop mid-rise residential tower(s) on that site

# New Strategic Initiatives and Investments – Summary

The CPIC team has reviewed over twenty opportunities, sourced by ourselves, referred by C&C or referred by other contacts in the space.

More than half of those were rejected in the review/due diligence process. Seven material items are currently approved and actively moving forward

#	Opportunity	Overview	Status
1	Cannabis Production, Extraction & Distribution Facility	51% ownership of a 75-100K SF facility	Active
2	Mall Development – Portage	14,125 sq. ft. 2-story – \$5,680,032	Active
3	Mall Development – Selkirk	7,550 sq. ft. – 4 unit one story including gas Bar – \$4,652,631	Active
4	Cura Can Equity Investment	Pre IPO \$2.0MM investment in Cura Can Medical Clinics	Active
5	Joint Venture with Cura Can/TCN Medical Clinics	51% ownership of 2 Clinics in Winnipeg and Selkirk 51% ownership of on Reserve satellites	Active
6	Cannabis Retail Recreational	51% ownership of up to two stores in Winnipeg and Selkirk	Active
7	Aski Capital Equity Investment	Up to a \$1.1MM investment. \$500K initial investment completed	Active

# 1. Licensed Producer Facility

- The final agreements have been signed for the joint venture agreement with GrowForce for the build of the LP Facility based on a total investment of approximately \$25.0MM
  - Peguis will hold 51% and is committed to an investment of \$4.0MM as the last money in if required
  - GrowForce will invest \$4.0MM with the remaining \$17.0MM being debt financed on their books
  - Build and licensing to sell is projected to take ~18-months
  - At full capacity the operation will create 100-150 new job opportunities
  - Initial construction Job Fair, focused on Peguis members, has been held with others to follow as build planning is completed
- Reviewing a modified proposal received from GrowForce which would allow the joint venture to accelerate time to market, becoming cash flow positive and profitability
- We will be negotiating terms and defining the benefits of the modified proposal in the coming weeks and will provide updates and recommendations to Chief and Council

## 2 & 3. Retail Strip Mall Development

Peguis will be developing and establishing businesses in two strip malls located in Winnipeg (Portage Avenue) and Selkirk (Manitoba Street)

- Portage is a two story 14,125 sf mall – First phase of the property redevelopment
  - Peguis owned pharmacy and C-store and a majority owned Pain Clinic and Cannabis store
  - Second floor will be office and additional retail – details in development
- Job fairs in the weeks ahead with a preference given to Peguis members
  - Construction will create up to 20 job and 30-50 permanent Retail/office full & part time jobs
- Targeting to open in Q1 2019

- Selkirk is a one story 7,550 sf mall
  - Will include Peguis owned pharmacy and Gas Bar/C-store and majority owned Pain Clinic
  - Provision made for a second Cannabis store – pending government discussion
- Job fairs in the weeks ahead with a preference given to Peguis members
  - Construction will create up to 15 job and 20-30 permanent Retail/office full & part time jobs
- Targeting to open in Q1 2019

## 4. Cura Can Equity Investment

- The Cura Can / TCN investment represents a material opportunity to secure a position in a state of the art Pain Management and Medicinal Cannabis provider
  - The principals involved are highly experienced practitioners with very strong financial backing and a proven history of growth and execution of corporate strategy
  - They are in final stage discussions to take the company public in the 4<sup>th</sup> quarter of this year
  - Their growth plans for 2019 would see the company open up to 5 new clinics in Manitoba and western Canada as well as completing a transaction to acquire an additional 11 clinics in the Ontario market
- Peguis completed a pre-IPO investment with options to secure additional shares
  - Initial investment of \$1.0MM completed with an option for an additional \$1.0MM position prior to the IPO
  - Conservatively we expect post IPO pricing to represent a 25-50% increase in value with a run up to over 200% by the end of 2019
  - Depending on growth plans the company should be in a position to provide distributions by 2020/21
  - The company will also represent a highly attractive acquisition target for major players in the space



## 5. Joint Venture with Cura Can/TCN Medical Clinics

- We are concluding an agreement with Cura Can / The Clinic Network to establish two jointly owned clinics within the strip malls we are developing
  - Peguis will own 51% of the clinics to be located in the new Peguis malls at Portage and Selkirk, with satellite operations on Peguis home Reserve to provide full pain management protocols to our community
  - Clinics are projected to reach profitability early in the second year of operation
  - Our share of costs for build out and equipping of the space has been included in the strip mall budgets
  
- We are assessing the opportunity to expand the JV concept to other First Nations with the demographics to support a clinic of this type
  - Would be held in a separate JV with Cura Can
  - Model would see the First Nation partner holding 51% and our JV holding the remaining 49%
  - Would initially focus on Manitoba, however we have had some interest from other parties
  - Further discussions are in progress

## 6. Cannabis Retail Recreational – Peguis Majority Ownership

### ***Background***

- Due to the practices of National Access Canada (NAC) , Peguis has withdrawn from that relationship and is pursuing a Direct Retail strategy in partnership with GrowForce
- Subsequent to the successful RFP bid with NAC, the Province decided to cancel the On Reserve retail stores and to substitute those with off Reserve stores that would be allocated to NAC
  - NAC **adamantly** refused to provide one of those newly allocated stores to Peguis on the basis that the contract did not require them to do so and they needed all the profits to make their model work
  - They stood by that decision despite repeated meetings and protestations from Peguis that this was unethical and would effectively leave Peguis with no retail operations after supporting the successful bid
- The Province later indicated they would be a separate licensing process for On Reserve stores
  - Once this was communicated, NAC immediately initiated a high pressure campaign to persuade Peguis to continue with them and submit an application with them as the identified partner
  - Peguis outlined our position that their behavior had damaged the spirit and intent of the partnership and eroded the trust we had for fair treatment in the future
- CPIC undertook an assessment of other potential partners including the existing GrowForce relationship
  - A decision was made to not formally terminate the agreement with NAC at that point, to keep options open
  - We liaised with the other NAC FN partners to understand how their discussions were progressing
  - A second licensing proposal was submitted by GrowForce/CPIC in the interim to secure a license

## 6. Retail – Peguis Majority Ownership Opportunities (Cont.)

### ***Current Status***

- Further challenges with NAC have continued to be experienced by the other FN partners
  - NAC continued the high pressure tactic of trying to get them to sign up blindly to the updated agreement
  - It has been reported that they have reversed their commitment to provide full financing for the partner stores at their cost
- Based on all the facts, continuing with the NAC relationship no longer had a relationship basis nor did it provide financial or operational benefit to Peguis
  - Decision was made to move forward with GrowForce under same or improved financial and operating terms
- Making solid progress under the new GrowForce arrangement with Peguis as 51% owners
  - Moving forward with planning for the first store at our Portage location as an On Reserve site
  - Contingency plan developed to place the store in the existing building if the mall is not ready
  - Full GrowForce team assigned to the project covering all aspects of licensing and operations
  - We are in discussion for a second store at the new Selkirk location, potentially under a non-Reserve license through GrowForce, which NAC refused to consider as an option

## 7. Aski Capital Equity Investment

- Aski is a unique financial services company dedicated to providing a socially responsible and financially sustainable alternative to Payday Loans
  - Positioned as an employee benefit and offered exclusively through employers
  - Provides rapid access to emergency short term funds at no employer cost or liability
  
- The Business is launching now in selected provinces across Canada and is securing equity partners to fund the launch
  - Objective is to maintain First Nation majority ownership as it grows
  - Targeting Ontario, BC and selected markets in eastern Canada
  - Offices opened in Ontario to support launch
  
- The market for these types of very ethical short terms loans is very large and growing
  - Currently estimated to be \$5-7B across Canada
  - Estimated to have grown by over 15% over the last three years
  
- Peguis is Aski's largest customer and has been in negotiation around taking an equity position since last year; terms were reached in the first quarter of this year
  - Peguis has negotiated a ~40% ownership of Aski for an investment of \$1.1MM
  - The first \$0.5MM was invested in March; the rest to come later this year

# Summary of CPIC Initiatives and Outlook

Based on currently identified ventures, CPIC is targeting to have established a material and profitable portfolio of venture in active operation by the end of 2019

#	Initiative	Jobs	Financials*
1	Cannabis Facility	100-150	Initial Investment - \$4.0MM Potential Valuation - \$20-30MM Potential Annual Profit - \$2.0-3.0MM
2	Mall – Portage	30-50	Potential Valuation - \$7-8MM Potential Annual Profit - \$400-500K
3	Mall – Selkirk	20-40	Potential Valuation - \$5-6MM Potential Annual Profit - \$2.0-3.0MM
4	Cura Can Investment	NA	Initial investment - \$2.0MM Potential Valuation - \$4-7MM Potential Distributions - \$200-300K
5	Joint Venture with Cura Can/TCN	10-20 10-15	Initial investment - \$200K Potential Valuation - \$800-900K Potential Annual Profit - \$200-300K
6	Cannabis Retail Recreational	40-60	Initial investment - \$200K Potential Valuation - \$1.5-3.0MM Potential Annual Profit - \$300-400K
7	Aski Capital Equity Investment	NA	Initial investment - \$500K-1.1MM Potential Valuation – TBD – Business Case Potential Annual Profit – TBD – Business Case

\* These are high-level estimates. Future valuations and financial performance are based on current industry multiples and business case projections and may not be reflective of actual performance. Liquidity events such as sale of some or all portion of ownership positions are not considered in the above.

# Q & A Segment