

Alberta Indigenous
Opportunities Corporation
Loan Guarantee
Investment Program
Guidelines



Version 1.2 Final

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1. Program Overview

The Alberta Indigenous Opportunities Corporation (AIOC) was established by the *Alberta Indigenous Opportunities Corporation Act* (AIOC Act) to facilitate investment by Indigenous groups in natural resource projects and related infrastructure.

1.1 Available Financial Support

AIOC will initially provide **loan guarantees** to successful applicants for the partial (or full) value of a loan. Up to \$1 billion, in aggregate, has been committed by the Government of Alberta for AIOC to backstop loans.

1.2 Guidelines for Financial Support

As noted above, loan guarantees may be provided for variable amounts up to the maximum total committed by the Government of Alberta. The minimum amount for a loan guarantee is **\$20 million** for a specific natural resource project or related infrastructure. Projects eligible for support may be in the **Energy** (upstream, midstream and downstream oil and gas, renewable energy, power, and coal), **Mining**, or **Forestry** sectors.

1.3 Eligibility

To be eligible to apply for a loan guarantee, an applicant must be an **Indigenous group** defined in the AIOC Act as:

- (i) Indian bands as defined by the *Indian Act* (Canada);
- (ii) Métis Settlements established by the *Métis Settlements Act*;
- (iii) other entities approved by the Minister by order as falling within the mandate of AIOC;
- and
- (iv) entities that are fully-owned by the entities identified in (i), (ii) or (iii) above.

As of February 3, 2020, the following entities are also eligible for AIOC support through a Ministerial Order:

- Métis Nation of Alberta Association and any of its regions or locals in good standing with the relevant corporate registry.

If you have any questions regarding eligibility, please contact AIOC at theaioc.com/contact.

Applications for a loan guarantee may be submitted by a **single Alberta-based** Indigenous group or a **consortium** of Indigenous groups. In the case of a consortium, **at least one Alberta-based**

Indigenous group must be included as a participating investor and constitute at least 25% of the total investment proposed by the consortium.

Projects both inside Alberta and in other provinces are eligible for support. Projects outside of Alberta are required to benefit Alberta's natural resource sector to be eligible.

1.4 Timing of Financial Support

Loan guarantees are provided no earlier than at the point of project close, after regulatory approvals are in place and at the same time, or after, all other financing is put in place.

1.5 Cost Recovery

AIOC requires a sufficient level of due diligence in order to satisfy eligibility criteria and to draft required underlying legal agreements. Applicants are required to obtain financial and legal advice and may incur costs passed on from lenders. AIOC will not be responsible for any costs and/or expenses incurred by applicants related to AIOC pre-application, application (i.e., Formal Investment Proposal) and review processes. Applicants will not be permitted to recover such costs or expenses from AIOC unless capacity grant funding has been provided specifically for that purpose. AIOC's capacity grant funding is discretionary and assistance is limited. For more information, please refer to the **Capacity Grant Program Guidelines** on the AIOC website.

1.6 Guarantee Fee

Successful applicants will be expected to make provision in their financial plan for loan guarantee fees to be paid to AIOC based on commercial terms. AIOC will determine the amount of the guarantee fee for each transaction, based on an assessment of factors outlined in the Program Criteria section below. This will include an upfront fee (the Set Up Fee) to be paid on the amount of the loan at the time the guarantee is entered into, and an ongoing fee (the Guarantee Fee) paid annually thereafter based on the outstanding balance of the loan, including accrued but unpaid interest. Additionally, AIOC may charge an annual monitoring fee to cover ongoing administration costs. Finally, AIOC will seek to be reimbursed for due diligence costs, including legal and third party, from any transaction that proceeds. Payment for any upfront fees and costs will be required prior to the guarantee taking effect.

It is intended that fees will assist AIOC in covering costs associated with administering and managing AIOC's loan guarantees and reporting on the investments to the Government of Alberta and Albertans. Other government grant funding cannot be used to cover the cost of the fees.

1.7 Discretionary Investment Support

AIOC's investment support is discretionary. Any decision to provide a loan guarantee, and the percentage of the loan the guarantee will cover, will be at the sole and absolute discretion of AIOC. Applicants should be aware that meeting program objectives and criteria does not presume that an application will be approved. Assistance in the form of loan guarantees is limited.

1.8 Transparency

All loan guarantee investment requests that are submitted to AIOC, pre-applications and formal investment proposals, will be reported to AIOC's Board on a quarterly basis. AIOC will also report on loan guarantees provided during the fiscal year (April – March) in its corresponding annual report.

2. Program Criteria

Decisions for support are based on the general principles listed below. Examples of questions AIOC may consider while assessing applications are also listed. This list is neither exhaustive nor binding on AIOC, and the evaluation of a particular application may include further or alternate analysis as AIOC deems appropriate at its sole discretion.

2.1 Benefits to Indigenous Communities and Alberta

- What are the expected benefits for, and for how many, Indigenous communities?
- Is the project environmentally sustainable?
- Will the Indigenous community have capacity to carry on the project for the life of the proposed development?
- Will the investment result in additional opportunities for Indigenous communities (e.g., employment, procurement, skills development, business development, capacity-building, community investment, collaboration among communities, infrastructure, etc.)?
- Is the Indigenous community receiving a commercially appropriate share or benefit from the proposed investment?
- Would participation in the project contribute to building constructive relations and alignment between Alberta businesses and Indigenous communities?
- Are diversity or inclusiveness considerations or benefits present (e.g., gender)?
- How will the progress of the investment be reported to members of the Indigenous communities involved in the proposed development?

2.2 Commercial and Investment Viability

- What is the assessed viability of the project and does it demonstrate reasonable risk-adjusted commercial terms?
- Have environmental, social, and governance (ESG) considerations been taken into account in assessing business risks and expected returns from the project?
- Preference will be given to lower risk projects that are already operational and generating income or that have a high level of operational certainty. Conceptual and early stage projects present a level of risk that may not meet the requirements of the model of investments the AIOC program was established to support.
- Applications that have third-party investor(s) investing on same or similar terms in the project may receive preferential treatment if such third-party co-investment improves the risk profile of the project.
- What is the level of the applicant's direct investment in the proposed project? AIOC looks favorably upon applications with a level of alignment created by the direct participation of the applicant that is meaningful relative to the financial resources of the applicant involved (not necessarily meaningful relative to the size of the proposed development).
- Will the project be properly capitalized, and will there be sufficient risk-adjusted free cash flow available over the term of the loan to service the applicant's guaranteed loan and other obligations (including guarantee fees) under the proposed size and term of the loan (e.g., debt service coverage ratio, reserve account to make scheduled debt service payments, cash flow, etc.)?
- What is the assessed refinancing risk, credit risk and interest rate exposure (e.g., how does the loan term compare with the amortization period and what is the exposure to interest rate volatility)?
- Have all appropriate laws and legislation been adhered to for the project?
- Is the agreement for the guaranteed loan with a lender financial institution satisfactory to AIOC?
- Is the loan guarantee agreement satisfactory to AIOC and the Government of Alberta?
- Is the security pledged in support of the guaranteed loan satisfactory to AIOC?
- The foregoing is to be supported by well-defined and risk-acceptable business and financial plans, viable business models, detailed transaction terms, supporting

professional industry and risk analyses, reasonable and appropriate budgeted costs and assumptions, comprehensive due diligence, etc.

2.3 Skill and Expertise

- What is the demonstrated skill, expertise, track record, diversity, and governance of the individuals, management team, industry partners, contractors, etc., who comprise, or are associated with, the project's management team and third-party co-investor(s)? For example, the demonstrated experience, qualifications, capabilities, and reputations in relation to investments of similar magnitude will be important considerations.
- What is the legal and professional expertise and experience supporting the applicant and what is the governance structure of the applicant? AIOC will have a preference for highly qualified professional support and stable governance.
- What are the current ongoing business activities and experience of the entities comprising the applicant and will the capacity exist within the applicant(s) to manage the investment in the project?

2.4 Overall Strength of the Application – Summary

- Is the proposed investment being made on reasonable commercial terms?
- Are relevant project agreements in place (e.g., term sheets, permits, construction, supply, management, partnership or joint venture, etc.)?
- Is confirmation of support from the Indigenous community available (e.g., Band Council Resolution, Council Resolution, Board Resolution, etc.)?
- What are key milestones and the overall intended timeline, and how will they be achieved (i.e., has a project plan and investment timeline been defined)?
- What risk mitigation measures are in place (e.g., regulatory, operational, financial, etc.)?

3. How to Apply

Applications to the AIOC loan guarantee investment program will be accepted on an ongoing basis. To apply, applicants must first submit a **Pre-Application** for preliminary determination and fit. The purpose of the Pre-Application is for applicants to provide an understanding of the proposed investment and objectives to be achieved by pursuing the investment. It is also used to demonstrate preliminary managerial, technical and financial capacity to pursue the investment.

The Pre-Application is available on the AIOC website at theaioc.com.

4. Pre-Application, Application and Approval Processes

To limit duplication of effort, applicants are encouraged to reference documents they have included as appendices, rather than restating or recreating information in the body of the application. The pre-application, application (Formal Investment Proposal) and selection processes are outlined below.

4.1 Pre-Application Submission and Review

Applicants must first submit a **Pre-Application** for preliminary determination and fit.

AIOC will conduct a detailed review of the Pre-Application, including any additional documentation that is provided. The applicant may be required to provide further information, as requested by AIOC.

AIOC may discuss the Pre-Application with the applicant to determine next steps.

All Pre-Application submissions should include reference to the Eligibility and Program Criteria sections established in this document, and applicant(s) are encouraged to be concise on the basis upon which eligibility applies and why the application meets (or is expected to meet) program criteria.

AIOC has provided guidance in this document on matters where AIOC will show preferential treatment to certain projects (i.e., preference will be given to lower risk projects that are already operational and generating income or that have a high level of operational certainty). Applicants are encouraged to address specifically why their application satisfies those preferences. It is recognized that this is a Pre-Application submission and the level of detail and resolution on terms is of a lower expectation than when the **Formal Investment Proposal** is submitted.

If the Pre-Application is approved by AIOC, the applicant will be invited to prepare a Formal Investment Proposal (see below). Pre-Applications approved by AIOC are intended to provide a framework for applicants to advance work on a proposed project and to take the necessary steps to prepare and submit a Formal Investment Proposal. An approved Pre-Application does not imply any obligations on the part of AIOC to approve the final Formal Investment Proposal. Decisions for support of this final application are based on an assessment of the application relative to the Program Criteria above.

In the period between the Pre-Application and the submission of the Formal Investment Proposal, it is anticipated that discussions will continue with the applicant, which will involve collaboration between the applicant, AIOC, and other applicable entities. The objective of this interim phase is for the applicant to meet the Program Criteria as outlined in this document including, but not limited to, resolving project deal terms, securing financing and, performing due diligence.

For the list of loan guarantee investment program criteria, please refer to **Program Criteria**.

4.2 Application (Formal Investment Proposal) Submission and Review

Once the critical aspects of the project have been determined, an **application** may be submitted. The application should be structured as a **Formal Investment Proposal**.

For an example of how to structure the Formal Investment Proposal and the information to include, please refer to Program Criteria. Applications should be as succinct as possible while addressing each of the Program Criteria as outlined in this document.

AIOC is under no obligation to approve a Formal Investment Proposal that had previously received Pre-Application approval. AIOC will conduct a detailed review of the Formal Investment Proposal from the beginning (i.e., on a *de novo* basis), including any additional documentation that is provided. The applicant may be required to provide further information as requested by AIOC.

4.3 Formal Investment Proposal Approval

If, in its discretion, AIOC approves a Formal Investment Proposal, it will do so in written form including terms and conditions associated with the approval required to be met to the satisfaction of AIOC. Among other things, the written approval will set out the maximum value of the loan guarantee that AIOC is willing to extend and essential terms surrounding the guarantee including, but not limited to, the guarantee fee.

AIOC's financial support is discretionary. Any decision to provide a loan guarantee will be at the sole and absolute discretion of AIOC.

4.4 Applicant's Acceptance of Formal Investment Proposal Approval

The applicant shall advise AIOC in writing of the intention to proceed with concluding definitive legal agreements on the basis of and subject to the terms and conditions outlined in the written approval.

It should be noted the Formal Investment Proposal Approval is not intended to be a binding agreement or to give rise to legal rights, liabilities or obligations of any sort, all of which are subject to execution and delivery of a formal loan guarantee agreement and associated documentation, satisfactory to AIOC in its discretion.

4.5 Guarantee Agreement

The form of the loan guarantee agreement and related documents will be in form and substance satisfactory to AIOC. The closing documents and loan agreement with an approved lender and other ancillary agreements will also be finalized, all in form and substance satisfactory to AIOC.

5. Capacity Grant Program

AIOC has a limited pool of funds available to assist eligible applicants in their efforts to participate in qualified projects. For more information about capacity grants, please refer to the **Capacity Grant Program Guidelines**.

6. Conflict of Interest Policy

All applicants to AIOC have a right to know the corporation is managed with integrity and impartiality. It is this obligation that demands there not be an actual or perceived conflict of interest between the private interests of AIOC's Board of Directors, AIOC's employees and their respective duties to the public. All Directors and employees are subject to AIOC's Code of Conduct.

Directors and employees are required to disclose in writing to the appropriate official administering the Code of Conduct for their role any situation that may pose a conflict of interest, in fact or in appearance, between their duties and their personal interests and/or relationships. Directors and employees must disclose the conflict, real or perceived, as soon as they become aware of any business transaction AIOC proposes to enter into in which the Director or employee, or a relative of the Director or employee, may have an interest.

7. Freedom of Information and Privacy (FOIP)

The *Freedom of Information and Protection of Privacy Act* (FOIP Act) applies to any information that is provided to AIOC. This information may be subject to disclosure pursuant to the FOIP Act in response to an access to information request.

Information collected by AIOC is collected in accordance with section 33(c) of the FOIP Act for the purposes of administering, assessing, evaluating and promoting its programs, and to use in research and statistical analysis. Use and disclosure of personal information is limited by the privacy protection provisions in the FOIP Act. Questions concerning the collection and use of this information should be directed to AIOC at theaioc.com/contact.

8. Questions

Refer to the **Frequently Asked Questions** below for answers to common inquiries about the loan guarantee program.

If you would like more information about the program, please contact AIOC at theaioc.com/contact.

8.1 Frequently Asked Questions

Q: What is the minimum allowable investment that may be supported through the program?

A: The minimum Indigenous investment in a natural resource project is \$20 million. This does not mean that Indigenous groups are required to have this level of equity in the project. It means that projects requiring loan guarantees for less than \$20 million will not be considered.

Q: Are investments in projects located partially or entirely *outside* of Alberta eligible for support?

A: Yes, provided the project can demonstrate clear benefits to the Alberta economy.

Q: Are investments made by Indigenous groups located *outside* of Alberta eligible for support?

A: Yes, provided they meet the definition of “Indigenous group” in the *Alberta Indigenous Opportunities Corporation Act* and they are partnered with one or more Alberta-based Indigenous groups collectively investing at least 25% of the total value of the proposed Indigenous investment.

Q: Are investments made by entities that are partially or entirely owned by Indigenous entrepreneurs eligible for support?

A: No, investments must be made by entities that are 100% owned by Indigenous *communities* to be eligible for support.

Q: If an investment is eligible, is it certain to receive a loan guarantee?

A: No, whether to issue, and the amount of, a loan guarantee is at the sole discretion of AIOC.

Q: What is the benefit of having an AIOC loan guarantee on an investment?

A: When an investor borrows money to finance an investment, a loan guarantee can be used to reduce the costs of borrowing, increase the amount borrowed, and therefore invested, or both. This is because an AIOC loan guarantee reduces the risk to lenders if an investor fails to meet its commitment to repay.