

Alberta Indigenous Opportunities Corporation Loan Guarantee Investment Program Guidelines



Version 1.3 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 (energy, mining, and forestry), agriculture, telecommunications and transportations projects and related infrastructure.

1.1 Available Financial Support

AIOC provides **loan guarantees** to successful applicants for the partial (or full) value of a loan. Loan proceeds are then used to support Indigenous investment. 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

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 project. Projects eligible for support may be in the **Energy** (upstream, midstream and downstream oil and gas, renewable energy, power, and coal), **Mining, Forestry, Agriculture, Telecommunications or Transportation** 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](#) (section 3(1)) 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.

If you have any questions regarding eligibility, please contact us through the [AIOC website](#).

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 Alberta-based indigenous ownership must constitute at least 25% of the total investment proposed by the Indigenous consortium.

Projects within Canada are eligible for support. Projects outside of Alberta are required to benefit Alberta to be eligible.

1.4 Timing of Financial Support

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

1.5 Applicant Cost Recovery

AIOC will not be responsible for any costs and/or expenses incurred by applicants related to the AIOC application 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 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 guarantee that an application will be approved.

1.7 Fees

To support administration of the loan guarantee program, AIOC charges fees on successful loan guarantees. Details on fees charged are in Section 5 below.

1.8 Transparency

All loan guarantee requests that are submitted to AIOC in the form of an application will be confidentially 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 of eligible projects are based on the general criteria listed below. Examples of questions AIOC may consider while assessing applications, and how AIOC might interpret the answers, 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

- Does the proposal have the appropriate Council and community support?
- What are the expected benefits for, and for how many, Indigenous communities?
- Is the Indigenous community receiving a commercially appropriate share or benefit from the proposed investment?
- What Board or Management decision making roles have been dedicated to community members in the entity?
- Would participation in the project contribute to building constructive relations and alignment between Alberta businesses and Indigenous communities?
- 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.)?
- Will the Indigenous community have capacity to carry on the project for the life of the proposed development?
- How will the progress of the investment be reported to members of the Indigenous communities involved in the proposed development?
- Are diversity or inclusiveness considerations or benefits present (e.g., gender)?
- Is the project environmentally sustainable, with a focus on the responsible use of resources, a consideration for the interconnectedness of all life forms, and attention to the impact on future generations?

2.2 Commercial and Investment Viability

- What is the assessed viability of the project and does it demonstrate reasonable risk-adjusted commercial terms?
 - 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/or 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.
- 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 alignment with other project proponents/investors?

- 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.
- Is the security pledged in support of the guaranteed loan satisfactory to AIOC?
- Have environmental, social, and governance (ESG) considerations been taken into account in assessing business risks and expected returns from 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).
- 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)?
- Is the agreement for the guaranteed loan with a lender financial institution satisfactory to AIOC?
- Is the loan guarantee agreement satisfactory to AIOC?
- Have all appropriate laws and legislation been adhered to for the project?
- 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 has a requirement 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. The purpose of the application to provide an understanding of the proposed investment, including risk and return, key commercial terms, and objectives to be achieved by pursuing the investment.

The application is available on the [AIOC website](#).

4. Application and Approval Processes

AIOC is available to discuss projects at all stages of development and welcomes the opportunity to engage in introductory meetings to provide guidance and clarifications of program supports prior to application.

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 application and selection processes are outlined below.

4.1 Application Submission and Review

Prior to application submissions proponents are encouraged to approach the AIOC as early as possible in the exploration of an investment opportunity to review eligibility under program parameters.

The following provides an overview of the process and considerations for submission:

- Applicants must submit an application for evaluation and decision.
- AIOC will conduct a detailed review of the application, including any additional documentation that is provided. The applicant may be required to provide further information, as requested by AIOC.
- AIOC will discuss the application with the applicant to determine next steps.
- All 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.
- Decisions for support of the application are based on an assessment of the application relative to the Program Criteria above as well as parameters that may be unique to a project.
- In the period between the application and the ultimate determination of suitability for a loan guarantee, it is anticipated that discussions will continue with the applicant, which will involve collaboration between the applicant, AIOC, and other applicable entities. The objective 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 (section 2)**.

4.2 Application Approval

If, in its discretion, AIOC approves the application, 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 fees.

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

4.3 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. Loan Guarantee Fees

AIOC requires successful applicants to pay loan guarantee fees. Fees assist AIOC in covering costs associated with administering and managing the loan guarantees and reporting on the commitments to the Government of Alberta and Albertans.

AIOC will determine the amount of the guarantee fee for each transaction, based on an assessment of factors outlined in the Program Criteria section above. Fees are likely to include an upfront fee for the provision of the guarantee as well as services provided by AIOC (the Set-Up Fee) to be paid on the amount of the loan at the time the guarantee is issued, an ongoing fee (the Guarantee Fee) paid annually thereafter based on the outstanding balance of the loan, and/or 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.

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 through the AIOC website.

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 us through the AIOC website.

8.1 Frequently Asked Questions

Q: What is the minimum allowable investment that may be supported by an AIOC loan guarantee?

A: The minimum Indigenous investment in an eligible project that AIOC can support with a loan guarantee is \$20 million.

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

A: Yes, provided the project can demonstrate a clear benefit to the Province of Alberta.

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, AIOC loan guarantees can only support investments made by Indigenous groups, as defined in the AIOC Act and Section 1.3 above, and/or entities that are 100% owned by Indigenous groups.

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, an AIOC loan guarantee will 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.

Q: At what stage of project development and/or proposal should applicants contact the AIOC?

A: We recommend applicants contact AIOC as early as possible; AIOC is available to have conversations and discuss projects and their potential eligibility ahead of an application.

Q: Are investments in projects that are currently in the feasibility and/or permitting stage of development eligible for a loan guarantee?

A: No, given AIOC’s low-risk tolerance, pre-construction projects must already have received Final Investment Decision (FID), be fully permitted and essentially “shovel-ready”.

Q: Are investments in pre-construction projects eligible for a loan guarantee?

A: Yes, AIOC can support projects through construction, however, AIOC’s low risk tolerance requires that construction be largely de-risked with fixed price construction contracts awarded to experienced, reputable and well capitalized EPC companies. Construction of facilities that employ experimental or first-of-its-kind technologies are unlikely to satisfy AIOC’s low risk tolerance.

Q: What is the minimum percentage of Indigenous ownership required in a project for it to be eligible for AIOC support?

A: There is no mandated minimum or maximum percentage of Indigenous ownership required for a project to be eligible for AIOC support. However, larger equity stakes with commensurate governing representation fit AIOC criteria more favorably than smaller and/or underrepresented equity stakes.

Q: Do Indigenous groups have to invest their own money in a project for it to be eligible for AIOC support?

A: No. While AIOC looks favorably on applications that include aligned Indigenous groups and/or third-party investment, particularly for higher relative risk opportunities, Indigenous group investment is not mandatory.

Q: Can a group of opportunities, each smaller than AIOC's minimum \$20 million threshold, be grouped together to satisfy the loan guarantee minimum amount?

A: No, AIOCs \$20 million minimum threshold is determined at the singular project level.

Q: Are projects exposed to commodity price volatility (oil, natural gas, electricity, etc.) eligible for an AIOC loan guarantee?

A: AIOC has a low tolerance for risk and supports projects with stable and predictable cash flows; commodity price volatility must be managed properly (ideally through long-term fixed-price contracts) for a project to qualify for AIOC support.

Q: What role can an industry partner play in supporting my application for a loan guarantee?

A: An industry partner may support an applicant with preparation of its application; however, the application must ultimately come from an eligible Indigenous group and be 100% to the benefit of the Indigenous group.