



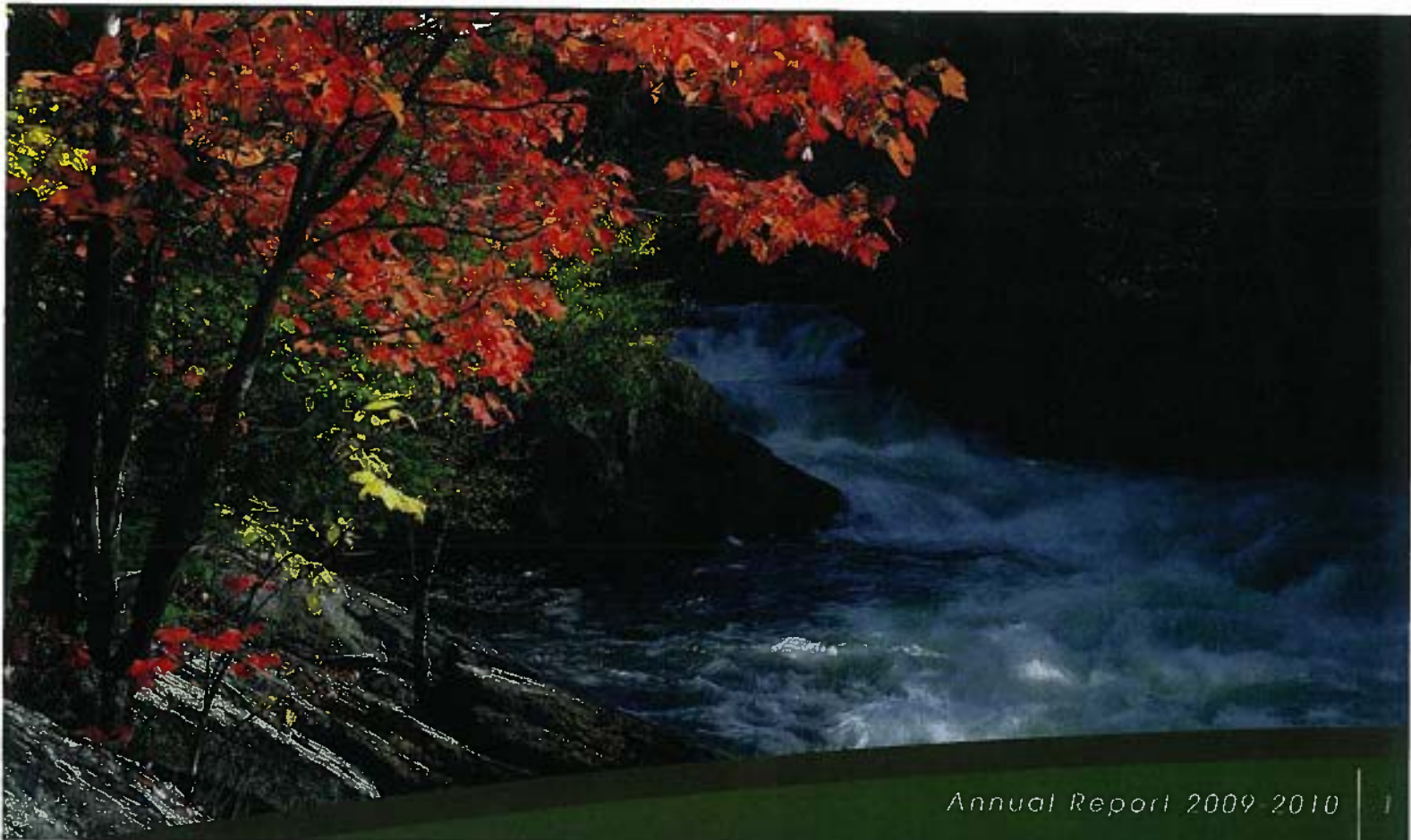
FIRST PEOPLES
economic growth fund



2009-10 Annual Report

Table of Contents

Greetings	2
Background of First Peoples Economic Growth Fund Inc.	3
Chairperson's Message	4
Chief Executive Officer's Message.....	5
Board of Directors.....	6
Guiding Principles	7
Financing Programs	8
Support Programs.....	9
Approved Loans and Support Applications	10
FPEGF Geographic Regions	11
FPEGF Staff	12
Client Testimonials.....	13
Auditors' Report.....	18



Greetings



Greetings,

The Manitoba government is pleased to congratulate the management and staff of the First Peoples Economic Growth Fund on a year of progress and development. Aboriginal economic development is vital to our province's future. It promises to be a catalyst for entrepreneurship, job creation and community development. Best wishes for continued success.

**Eric Robinson, Minister
Manitoba Aboriginal and Northern Affairs**



Greetings,

On behalf of the Assembly of Manitoba Chiefs, I would like to acknowledge the work and development of First Nations entrepreneurship in Manitoba that the First Peoples Economic Growth Fund (FPEGF) has supported over the past year and since it was established in 2007.

The First Peoples Economic Growth Fund has set a solid foundation for growth and it is imperative that the Fund continues in its work to expand the business base for all Manitoba First Nations. While this work continues, the challenges faced by our First Nations pose an opportunity for us all to work in unison for the betterment of our people. The Fund and the Assembly of Manitoba Chiefs remain committed to this challenge. We look forward to continued partnership with the Province of Manitoba to ensure Manitoba First Nations have economic opportunities that not only support individuals but also families and the greater communities.

I extend my sincerest thank you to FPEGF Board of Directors who volunteer their time and wide range of expertise of corporate finance, accounting, lending experience, First Nations culture, economic and regional development, entrepreneurship and business expansion. I also extend my gratitude to the staff for their hard work and commitment to enhancing economic development through entrepreneurship with First Nations people and communities. I applaud the work of our First Nations entrepreneurs who are making their dreams and aspirations a reality.

By working together, we can provide support for First Nations economic development, encourage partnerships and First Nations businesses. First Peoples Economic Growth Fund is a positive foundation that unites these efforts.

Ekosani, Meegwetch, Mahsee Cho, Wopida, thank you

**Ron Evans, Grand Chief
Assembly of Manitoba Chiefs**



Background of First Peoples Economic Growth Fund Inc.

A joint economic development initiative between the Manitoba government and the Assembly of Manitoba Chiefs (AMC) saw the creation of First Peoples Economic Growth Fund Inc.

First Peoples Economic Growth Fund Inc. (FPEGF) is an organization with the mandate to provide financing to support Manitoba First Nation business proposals that are economically viable.

The unique aspect of FPEGF is that it can provide a variety of support for First Nation-owned businesses through a diverse portfolio of programs. FPEGF may provide financing for business development and support in the following areas:

Financing Programs

Joint Venture Program

Community Economic Expansion Program

Entrepreneur Loan Program

Resource & Energy Investment Program

Support Programs

Business Plan Assistance Program

Aftercare Program

Skills Development Program

First Peoples Economic Growth Fund was established as an independent not-for-profit corporation. The Board of Directors will govern the fund under the Unanimous Members Agreement between the Assembly of Manitoba Chiefs and the Government of Manitoba.



Chairperson's Message



This 2009/10 Annual Report represents our first full year of operation, which has seen the appointment of two new Board members in the fourth quarter of the year. I would like to take this opportunity to welcome Rosa Walker and Joe Malcolm to the Board. Both these individuals have spent decades working tirelessly for the advancement of First Nation peoples in Manitoba. They bring a wealth of experience, judgment and passion, and we are honoured to have them join our organization.

As well, I wish to offer my sincere thank you to outgoing Board members Bruce Burton and Janesca Kydd, who were both instrumental in organizing FPEGF and making sure we got off to a proper start. They remain close friends of the corporation and we are grateful for their invaluable contribution to the organization.

This year also saw the beginnings of a strategic plan with the commission of an external review of the Fund by Profile Resource Management Ltd. This review lead the way to some key recommendations that the Board has taken under consideration to improve the impact and effectiveness of the Fund.

I would like to thank the Chiefs of Manitoba, the Grand Chiefs, the Premier and his Ministers for their continued support of FPEGF.

Finally, I would like to thank the Staff for all their hard work in growing the organization and for assisting the Board every step of the way.

A handwritten signature in black ink, appearing to read 'Patricia Turner'. The signature is stylized with a large, flowing 'P' and a long horizontal stroke.

Patricia Turner

Chief Executive Officer's Message

This year has seen a tremendous increase in the overall community response to the First Peoples Economic Growth Fund's menu of programs. Our most popular offerings continue to be the Business Plan Support Program, the Entrepreneur Loan Program and the Community Expansion Loan Program. The growing number of project applications serves as a clear indication that there is a need for our services and that the business community is becoming increasingly aware of our programs.



Our loan approvals have jumped by 3.5 times the figure from fiscal year 2008-09, as we have approved almost \$1.7 million in loans this fiscal year. On the loans approved this fiscal year, we have achieved a remarkable leverage ratio of 4:1 which provides for a total impact in the Manitoba economy of almost \$8.5 million.

In addition to the loans approved, we have approved 17 support applications representing 16 Business Plans and one Skills Development training program. This represents an increase of 4 times the dollar amount of support services over last fiscal year, and another \$215,000 into the economy of Manitoba.

While the numbers are increasing at a substantial rate, what is most encouraging is that the applications continue to come in from all over the province. As well, our work in progress at fiscal year end indicates that next year will be even better. I want to thank the staff for their dedication to the organization and to the clients we serve.

I would like to take this opportunity to also thank the Board of Directors, including the new Board Members, for their guidance and support as we steadily grow our organization. With their leadership and the support of our founding members (the Province of Manitoba and the Assembly of Manitoba Chiefs), we will continue to improve our level of service and improve our program offerings in order to better serve the First Nation business community of Manitoba.

A handwritten signature in black ink, which appears to read "Ian Cramer". The signature is fluid and cursive.

Ian Cramer

Board of Directors

The Board members bring a broad range of experience including corporate finance and accounting, business management, First Nations economic and regional development and entrepreneurship. The five members of the Board jointly appointed by AMC and the Government of Manitoba are as follows:



Patricia Turner, FPEGF Chairperson

CEO, ET Development Incorporated;
co-founder of Aboriginal Chamber of Commerce

Bob Silver, FPEGF Vice Chairperson

President,
Western Glove Works



Bob Brennan, FPEGF Secretary/Treasurer

President and Chief Executive Officer,
Manitoba Hydro

Joe Malcolm, FPEGF Director

former Tribal Director of
Southeast Resource Development Council



Rosa Walker, FPEGF Director

President and Chief Executive Officer,
Indigenous Leadership Development Institute Inc.

- The Fund will only support those projects that are economically viable and provide a positive return on investment to First Nations entrepreneurs, communities and FPEGF.
- Leveraging other investment dollars is critical to the growth of the First Nation's economy and must be demonstrated by every business proposal presented to FPEGF.
- Capacity building will be an important criteria in the decision-making processes, be it human capital, infrastructure or community capacity.
- Job creation, long-term and sustainable employment opportunities, in areas where there is high unemployment is desirable.
- A portion of the Fund will be targeted for projects originating in rural and northern Manitoba.
- All businesses receiving funding will have to meet or exceed prevailing environmental and health standards.
- FPEGF, while looking to assist businesses of high economic return, will also consider the needs of the applicants; in general, applications of exceptional merit with the greatest need will receive the highest priority.



Joint Venture Program

This program is intended to provide support for large-scale Manitoba First Nations enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity. The First Nation or First Nation entrepreneur must own at least 51% of the business.

Financing is available for up to the lesser of \$1,000,000 or 50% of the total project costs (including identified startup costs and working capital). Minimum funding under this program will be \$200,000. Projects funded under this program must be for-profit and commercially viable with total project costs in excess of \$500,000. Priority will be given, but not restricted, to higher-end value-added projects.

Community Economic Expansion Program

This program is intended to assist Manitoba First Nation community-owned businesses for startup, expansions, or acquisitions. The intent is that these viable businesses will provide for the creation of wealth and jobs for First Nations.

Small and medium sized viable businesses owned by a Manitoba First Nation may be eligible. The maximum loan amount is \$300,000 or 50% of the fair market value of the total project costs (including identified startup costs and working capital). Appraisal of the project costs may be required. After three years, if the business is still in operation, has not been sold and all loan payments have been made consistently, up to \$75,000 or 25% of the total loan (whichever is less) may be forgiven.

Note: Total financing from this program will not exceed 50% of the total project costs (including startup costs and working capital).

Entrepreneur Loan Program

This program is intended to assist Manitoba First Nation entrepreneurs by providing capital and/or working capital through subordinated interest-free loans that will enhance the applicant's ability to leverage financing from other institutions and agencies.

Each loan will be for the lesser of \$200,000 per project, or 50% of the total project costs (including identified startup costs and working capital) identified in the business plan.

Resource & Energy Investment Program (REIP)

The REIP is intended to provide debt or equity financing to large-scale businesses in either the Resource or Energy sectors of the Manitoba economy. All investment will be made in Manitoba to enhance the ownership and participation of First Nations or First Nation entrepreneurs in those businesses that show high potential for viability. Applicants must present a sound business plan.

Typical financing available will be from \$500,000 to \$1,500,000 and will typically represent about 20% of the total financing.

Business Plan Assistance Program

This program is intended to provide support to Manitoba First Nation individuals or First Nation-based enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity, but demonstrates a need for financial assistance to develop a professional business plan.

This program allows the applicant to engage the services of a professional consultant to assist in the research and development of a quality business plan that will be used to attract financing for the business.

Funding available is up to 75% of the costs, to a maximum of \$20,000. This funding is non-repayable. The client is expected to pay the first 25% of the costs.

Professional Support Services (Aftercare) Program

This program is intended to provide professional support to new businesses that have obtained assistance under another FPEGF financing program in order to help improve the opportunity for success.

- Funding under this program is intended to allow the business to engage the services of a professional consultant to examine the operations of the business in order to identify areas that may require special attention.
- Funding is not intended for the development of interim or annual financial statements.

Funding available is up to 75% of the costs to a maximum of \$20,000. Unused portions of the funding in any year will not be carried forward. The funding is non-repayable.

Skills Development Program

This program supports rapid business readiness training for new and existing First Nations entrepreneurs to develop their management and marketing skills.

- Funding is available up to 75% of the approved costs.
- The program funds only direct course costs such as tuition, workshop fees, and books.
- Living expenses are not included.
- The program is not intended to finance the acquisition of a degree or certificate.

Approved Loans and Support Applications

Loans Approved, For Period April 1, 2009 to March 31, 2010

Type	Industry	Geographic Region	Jobs Created	Amount (a)	Leveraged (b)	Total (a + b)
CE*	Highway Truck Stops	NW	12	300,000	3,950,000	4,250,000
CE	Gas Stations with Convenience Stores	NW	6	127,020	127,750	254,770
CE	Gas Stations with Convenience Stores	NE	4	300,000	650,190	950,190
CE	Gas Stations with Full-Service Restaurants	SC	7	80,000	350,300	430,300
E	Carpet & Upholstery Cleaning Services	NW	2	75,750	91,591	167,341
E	Seasonal Property Maintenance Services	NW	1	2,600	2,684	5,284
E	Performing Arts Companies	NW		117,000	123,170	240,170
E*	Limited-Service Eating Places	NW	15	200,000	302,000	502,000
E*	Air Ambulance Services	NC	7	200,000	682,000	882,000
E	Foundation & Structure Contractors	NC		17,500	32,675	50,175
E	Air Transportation	NC	2	91,000	93,660	184,660
E*	General Management Consulting Services	SC	4	33,407	33,408	66,815
E*	Convenience Stores	SE	6	125,000	286,525	411,525
Total			66	1,669,277	6,725,953	8,395,230

* Loan dollars have not been disbursed as at March 31/10. Commitments will be disbursed once all Loan Terms and Conditions are met.

September 23, 2008 to March 31, 2009	Type E	Number 5	Jobs Created 8	Amount 478,867	Leveraged 485,867	Total 964,734
Grand Total to March 31, 2010			74	2,148,144	7,211,820	9,359,964

Support Applications Approved, For Period April 1, 2009 to March 31, 2010

Type	Industry	Geographic Region	Amount (a)	Leveraged (b)	Total (a + b)
BP	General Merchandise Stores	NW	14,569	4,856	19,425
BP*	Grocery Stores	NW	12,750	4,250	17,000
BP*	Ambulance Services	NC	3,150	1,050	4,200
BP*	Heavy & Civil Engineering Construction	NC	4,800	1,600	6,400
BP	Air Transportation	NE	14,400	4,800	19,200
BP*	Hunting & Fishing Camps	NE	11,775	3,925	15,700
BP*	Truck Transportation	SW	4,500	1,500	6,000
BP*	Full-Service Restaurant	SW	5,625	1,875	7,500
BP*	Limited-Service Eating Places	SW	3,750	1,250	5,000
BP*	Beauty Salons & Barber Shops	SW	3,780	1,260	5,040
BP*	Community Health Centres	SC	11,419	34,256	45,675
BP	Mobile Food Services	SC	1,575	525	2,100
BP*	Frozen Food Manufacturing	SC	19,125	6,375	25,500
BP*	Gasoline Stations with Convenience Stores	SC	7,500	2,500	10,000
BP	Air Transportation	SE	15,000	5,000	20,000
BP*	Mobile Food Services	SE	2,812	938	3,750
SD*	Performing Arts Companies	NW	1,800	600	2,400
Total			138,330	76,560	214,890

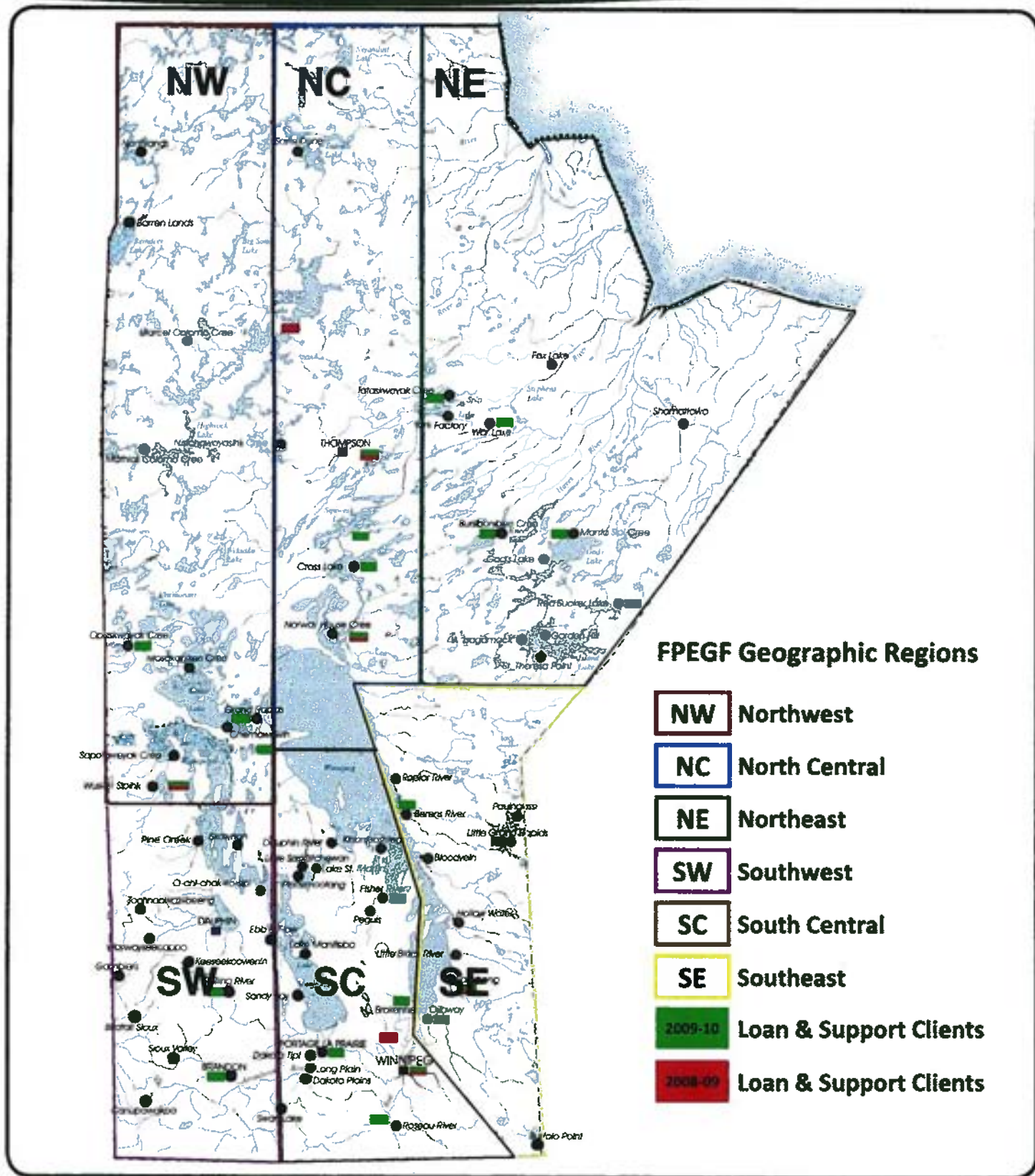
* Support dollars have not been disbursed as at March 31/10. Actual disbursement may be less.

September 23, 2008 to March 31, 2009	Type BP	Number 6	Amount 34,169	Leveraged 11,389	Total 45,558
Grand Total to March 31, 2010			172,499	87,949	260,448

E – Entrepreneur Loan
BP – Business Plan Assistance

CE – Community Economic Expansion
AC – Aftercare

JV – Joint Venture
SD – Skills Development





L-R: **Dale Plewak**, Senior Loans Manager; **Yvonne Dubois**, Administrative Assistant; **Ian Cramer**, Chief Executive Officer; **Joyce Lillie**, Accountant/Office Manager; **Daryl Bone**, Senior Loans Manager



FIRST PEOPLES
economic growth fund



Chief Betsy Kennedy, War Lake First Nation – Mooseocoot Gas Bar & Convenience



As Chief of War Lake First Nation, it was my privilege to participate in the Grand Opening of Mooseocoot Gas Bar & Convenience on May 28, 2010 – a much anticipated day in our community. The days of having to travel to Thompson, about 140 kms away, to purchase food items and fuel are few and far between now.

Prior to the development of this facility, at every community meeting for the past four years, War Lake First Nation Members listed their number one priority to be a convenience store in the community. Currently the store is doing very well and the community is very supportive – the supply orders have to be submitted every two weeks to keep up with the demand!

This business assists in creating a sustainable economy in our community by providing employment and basic services where there were none. In addition to the construction of the main building, a two bedroom house was built on the site. The mentor manager currently rents these accommodations and during his two year contract he will have the added responsibility of training a community member to take over management of the operation. The house also doubles as a motel when not in use, and at the end of the mentor manager's contract it will be used as a motel permanently.

We came to First Peoples Economic Growth Fund for an interest-free Community Economic Expansion Loan, and I feel that if we had not received this financing the store would not have been built.

The staff and Board of FPEGF understand the needs of isolated communities – the establishment of essential services which are as readily accessible as they are in urban areas.



Stephanie and Mike Connors, Ultimate Carpet Cleaning

We were excited about opening our business, although finding lenders and support was the biggest challenge. When we heard about FPEGF, immediately we knew we had to submit an application which we did before trying to get funding from any other lender. The staff and loans officer were very friendly and helpful and were always only a phone call away. They stayed positive with us which was a boost because, let's face it, going into your own business is at times scary and challenging.

We have a great relationship with our loans officer and he always makes a point to drop in whenever he is in the area. This is personal touch that you don't see from any other lender which makes it all the more reason to recommend FPEGF to any future business owners.

A big thank you to FPEGF staff and board for making our dream come true.



Trent Shannon, Blue Earth Transport



My name is Trent Shannon and I am a member of Lake Manitoba First Nation. As a Class 1 long haul driver with several years experience in the industry, I dreamed of one day owning my own truck. I spent a year researching the business and the industry it operates in, so I felt well prepared when I made the decision to purchase a state of the art, reliable Freightliner Cascadia highway tractor.

I came to First Peoples Economic Growth Fund for financing mainly because of the interest-free loans that were offered. The process was a bit time consuming, but it was worth it in the end.

With the financing provided from FPEGF and Aboriginal Business Canada, I purchased the highway tractor and I am currently providing long haul transport services in Canada.

My business, Blue Earth Transport, is currently doing well and when I am prepared to expand I wouldn't hesitate to come to FPEGF for additional financing.



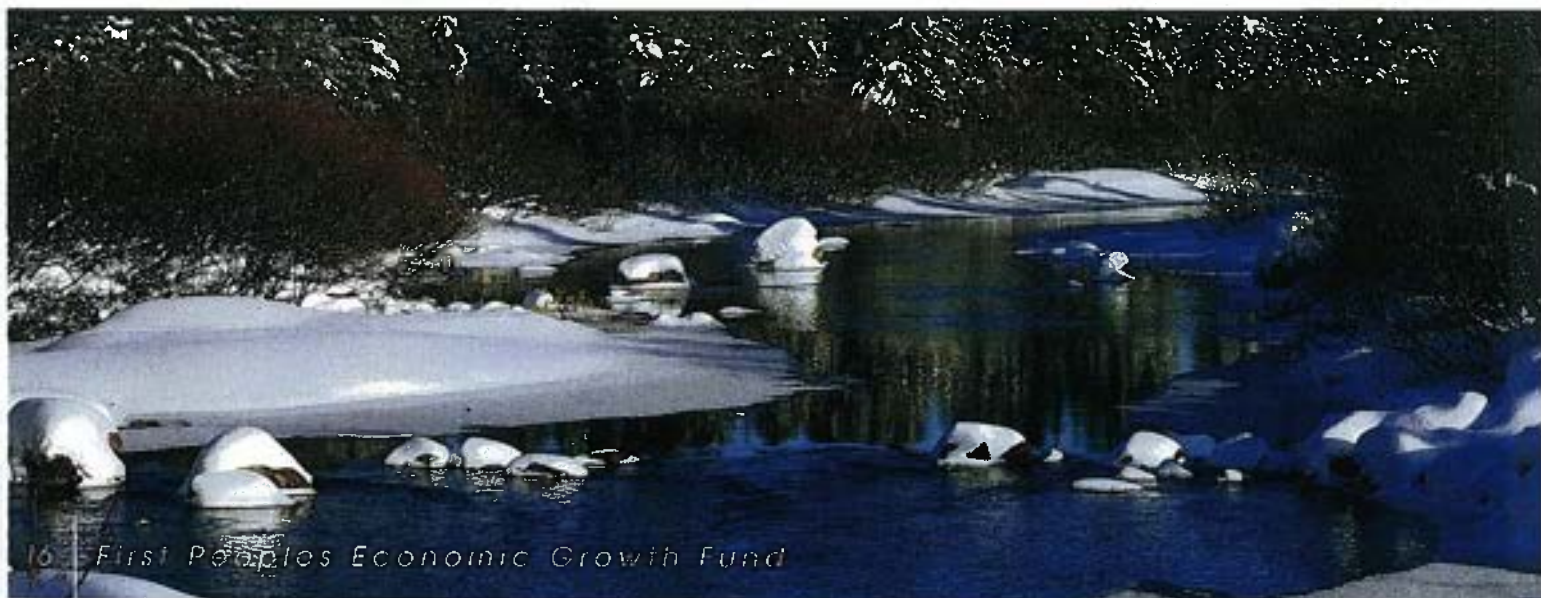
**Chief Joe Flett, Wuskwi Sipiik First Nation
– Wuskwi Sipiik First Nation Gas Bar & Convenience Store**

The local gas bar at Wuskwi Sipiik First Nation was recently renovated to house a Video Lottery Terminal (VLT) gaming lounge. With the implementation of the VLT business, we, the Chief & Council of Wuskwi Sipiik First Nation, hope to create a better business climate within the community that may stimulate other community members to create their own successful businesses.

For this venture, we received financing from Manitoba Lotteries Corporation and First Peoples Economic Growth Fund. We were interested in applying to FPEGF because it's a First Nations funding body which offers a low interest financing option.

Prior to financing the VLT business, FPEGF provided funding to us so we could hire a consultant to develop a comprehensive business plan that would determine if this was a viable venture.

Currently, the business is successful, generating revenue and creating jobs. We, the Chief and Council, see the proceeds from the VLT business being used to fund new or underfunded programs within our community. Revenues from the business will benefit community services such as health, education and youth programs.



**Cory Seymour,
White Wolf Hunting & Fishing Supplies Ltd.**

The White Wolf Hunting & Fishing Supplies retail store first opened in September 2004 located on Sagkeeng First Nation. I developed this business to help meet the needs of First Nation people in relation to their hunting and fishing rights.

I wanted to expand from a retail store to a fully serviced gunsmith shop and outdoor shooting range. My intention was for the gunsmith shop to include cleaning and restoring of metals and woodwork and for the shooting range to provide a place for customers to safely test, practice and sight-in their firearms. Even with the new location being in Beconia, MB, I planned on keeping the retail operation in Sagkeeng open.



I approached FPEGF for financing because I felt that most financial institutions see Aboriginal business as high risk and may not be willing to take a chance on a business venture like mine. At FPEGF, I worked with Daryl Bone, Senior Loans Manager, and found him to have a lot of patience and he kept an open mind while working with the other lender to ensure a successful merger.

FPEGF was very efficient and supportive. If I had not received financing from FPEGF, I likely would still be trying to convince my lender of my business's viability. It has been a long process with a lot of hard work involved, but the Grand Opening will be July 3, 2010.

In the future, I would apply for financing from FPEGF because I felt that they really wanted me to succeed, rather than just make money off me. I particularly appreciated the fact that FPEGF agreed to deferring my loan payments until my business was ready to make them, as it would have severely impacted my cash flow in a negative way.



FIRST PEOPLES
economic growth fund

***Audited Financial
Statements***

June 23, 2010

Auditors' Report

**To the Directors of
First Peoples Economic Growth Fund Inc.**

We have audited the statement of financial position of **First Peoples Economic Growth Fund Inc.** as at March 31, 2010 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

FPEGF Statement of Financial Position

As at March 31, 2010

	2010		2009	
	General Business Assistance Program \$	Resource and Energy Investment Program \$	Total \$	Total \$
Assets				
Cash and cash equivalents	3,722,589	-	3,722,589	6,472,617
Short-term investments	4,600,000	5,250,000	9,850,000	-
Accrued interest and other receivables	56,509	64,492	121,001	56,951
Contribution receivable from the Province of Manitoba (note 7)	-	-	-	23,168
Contribution receivable from the Aboriginal Business Canada of Indian and Northern Affairs Canada (note 7)	-	-	-	14,823
Prepaid expenses	7,915	-	7,915	6,762
Interfund balance	48,243	(48,243)	-	-
Loans receivable (note 4)	890,763	-	890,763	363,973
Capital assets (note 5)	82,796	4,937	87,733	115,647
	<u>9,408,815</u>	<u>5,271,186</u>	<u>14,680,001</u>	<u>7,053,941</u>
Liabilities				
Accounts payable and accrued liabilities	44,840	-	44,840	51,089
Deferred revenue	14,147	-	14,147	4,762
	<u>58,987</u>	<u>-</u>	<u>58,987</u>	<u>55,851</u>
Contributed surplus (note 2)	-	3,750,000	3,750,000	-
Net assets	<u>9,349,828</u>	<u>1,521,186</u>	<u>10,871,014</u>	<u>6,998,090</u>
	<u>9,408,815</u>	<u>5,271,186</u>	<u>14,680,001</u>	<u>7,053,941</u>
Restrictions and commitments (note 8)				

Approved by the Board of Directors

 Director

 Director

FPEGF Statement of Operations and Net Assets

For the year ended March 31, 2010

	2010		2009
	General Business Assistance Program \$	Resource and Energy Investment Program \$	Total \$
Revenue			
Contributions			
Province of Manitoba Annual (note 7)	4,571,700	-	3,858,168
Aboriginal Business Canada of Indian Affairs Canada - start-up (note 7)	-	-	100,000
Interest on short-term investments	123,037	90,364	128,341
Interest on loans receivable (note 4)	42,646	-	1,915
Loan fees	735	-	47
	4,738,118	90,364	4,828,482
Assistance costs			
Program expenses (note 4)	352,645	-	127,617
Excess of revenue over expenses before administrative costs	4,385,473	90,364	3,960,854
Administrative costs			
Advertising and promotion	15,189	2,371	30,947
Amortization of capital assets	37,465	797	31,292
Bank charges	42	-	399
Consulting services (note 7)	-	-	100,201
Equipment expense	4,721	580	12,694
Insurance	3,264	-	3,235
Office expenses	34,539	4,496	35,822
Professional fees	51,281	9,768	51,432
Recruiting	19	4,277	4,510
Rent	34,122	3,946	31,724
Salaries and benefits	338,862	36,308	236,171
Travel and conferences	14,231	6,635	14,084
	533,735	69,178	552,511
Excess of revenue over expenses	3,851,738	21,186	3,408,343
Net assets - Beginning of year	6,998,090	-	3,589,747
Interfund transfer (note 2)	(1,500,000)	1,500,000	-
Net assets - End of year	9,349,828	1,521,186	6,998,090

FPEGF Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	3,872,924	3,408,343
Items not affecting cash		
Amortization of capital assets	38,262	31,292
Non-cash interest income	(42,646)	(1,915)
Non-cash program expenses	291,801	113,734
	4,160,341	3,551,454
Net change in other non-cash working capital items	(24,076)	3,014,632
	4,136,265	6,566,086
Investing and financing activities		
Loans granted	(850,870)	(478,867)
Loan repayments	74,925	3,075
Purchase of capital assets	(10,348)	(50,981)
Purchase of short-term investments	(9,850,000)	-
Contributed surplus (note 2)	3,750,000	-
	(6,886,293)	(526,773)
Increase (decrease) in cash and cash equivalents	(2,750,028)	6,039,313
Cash and cash equivalents - Beginning of year	6,472,617	433,304
Cash and cash equivalents - End of year	3,722,589	6,472,617

1 Incorporation

First Peoples Economic Growth Fund Inc. ("the Corporation") was incorporated as a corporation without share capital under the Corporations Act (Manitoba) on October 3, 2007. The Province of Manitoba, as represented by the Minister of Aboriginal and Northern Affairs ("the Province"), and the Assembly of Manitoba Chiefs Secretariat Inc. ("AMC") are the sole voting members of the Corporation.

2 Nature of the Corporation

General Business Assistance Program

On October 3, 2007, the Province and AMC entered into a Unanimous Members Agreement that sets out the Program Principles and Program Outlines under which the Corporation will operate. The Program Principles include:

- Supporting those projects that are economically viable and provide a positive return on investment to First Nations entrepreneurs, communities, the Corporation and its sponsors;
- Leveraging investments in First Nations enterprise and giving priority to those projects that can act as a catalyst for further economic development;
- Enabling First Nation's human capital, infrastructure or community capacity;
- Creating jobs, particularly long-term and sustainable employment opportunities in communities where there is high unemployment; and
- Meeting or exceeding prevailing environmental and health standards as set out by legislation, regulation and/or municipal codes.

Furthermore, while considering projects of high economic return, the Corporation will also consider the relative need of the applicants. In general, applications of exceptional merit and the greatest need will receive the highest priority. Furthermore, a portion of the Corporations programs and activities will be reserved for projects originating in rural and northern Manitoba.

While the Program Outlines may from time to time be amended by the Corporation's Board of Directors, the Corporation will offer the following programs:

- Business plan assistance
- Skills development
- Entrepreneurial loans
- Community economic expansion
- Joint venture investment
- Professional support services (after care)

Resource and Energy Investment Program

On March 25, 2009, the Corporation and the Department of Indian Affairs and Northern Development ("INAC") entered into an agreement to create the Resource and Energy Investment Program ("REIP"). The REIP will be funded as follows: INAC \$3,000,000, the Corporation \$1,500,000 and Manitoba Hydro \$750,000. The programs and goals of the REIP will focus on the following:

- A self-sustaining, revolving capital pool that will grow and ultimately create sustainable First Nation economic development in the resource and energy ~~section~~ of Manitoba.
- Leverage private industry partner investment financing from financial institutions or other non-governmental services, and other equity investment.

The program and goals of the REIP will be administered through two types of investments - sub-debt and equity financing. The REIP is an investment fund - there will be expectations of a return, however it will consider requirements for "patient capital", where returns may be deferred during a development period. Sub-debt will typically include medium term loans that would take a subordinate security position to bank financing, typically for a higher rate of interest. Equity financing may take several forms such as partnership units, common equity or preferred shares with fixed dividend provisions or returns based on available profits. The shares may also be redeemable or convertible in defined circumstances.

Administrative activities of the REIP have commenced during the year. Investing and lending activities have not yet commenced.

3 Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses at period end. Components of the financial statements that are subject to significant estimation include depreciation of capital assets and determination of the allowance for loan losses. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and guaranteed investment certificates that can be redeemed at the request of the Corporation with original terms to maturity less than 90 days.

Short-term investments

Short-term investments consist of guaranteed investment certificates with original terms to maturity of greater than 90 days.

Loans receivable

At the time loans are advanced, they are recognized at fair value and then subsequently recorded at amortized cost using the effective interest method of amortization. Loans are stated net of an allowance for loan losses which is established to recognize estimated and probable losses. Loans are written off when there is no realistic prospect of recovering the loan in full. Recoveries on loans previously written off are taken into income.

Allowance for loan losses

The Corporation establishes allowances for loan losses which reduces the carrying value of loans identified as impaired to their estimated realizable amounts. A loan is considered impaired if the Corporation no longer has reasonable assurance that the full amount of the principal and interest, if any, will be collected in accordance with the terms of the loan agreement. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting costs of realization, or by discounting the expected future cash flows at the effective interest rate. Changes in the estimated realizable amounts arising subsequent to initial impairment recognition are recorded as a charge or credit in the statement of operations and net assets.

Revenue recognition

Amounts received or receivable pursuant to the agreement with the Province are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue on loans receivable is recorded as income using the effective interest rate method except for loans which are considered impaired. Recognition of income ceases when it becomes apparent that the loan is impaired.

Interest on short-term investments is recognized as income when earned.

Loan fees are recognized over the term of the respective loan.

Amounts received that do not meet these revenue recognition criteria are reflected as deferred revenue.

FPEGF Notes to Financial Statements

For the year ended March 31, 2010

Capital assets and amortization

Capital assets are recorded at cost. Normal repair and maintenance costs are expensed as incurred. Amortization is as follows:

Leasehold improvements	Term of the lease plus one renewal period
Office furniture	20% straight-line
Computer equipment	50% straight-line
Website development	20% straight-line

Income taxes

The Corporation is a not-for-profit organization and accordingly, is not subject to income taxes under provisions of the Income Tax Act.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments as follows:

Classification

Cash and cash equivalents	Held for trading
Short-term investments	Loans and receivables
Accrued interest and other receivables	Loans and receivables
Contributions receivable	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date.

Loans and receivables

Financial assets classified as loans and receivables are initially recorded at fair values and subsequently measured at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are initially recorded at fair values and subsequently measured at amortized cost using the effective interest method and include all financial liabilities.

Change in accounting policy

The following accounting standard changes referenced by the Canadian Institute of Chartered Accountants (“CICA”) handbook sections are effective for the Corporation’s fiscal year beginning April 1, 2009:

Capital disclosures

The Accounting Standards Board (“AcSB”) issued CICA 1535, “*Capital Disclosures*”, requires an entity with externally imposed capital requirements to disclose the nature of those requirements and how an entity manages its capital to meet them. Furthermore, the entity is required to disclose compliance with the requirements and if it has not complied, the consequences of such non-compliance.

Goodwill and intangibles

The Corporation adopted CICA 3064, “*Goodwill and Intangible Assets*”, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria when intangible assets can be recognized and also applies to internally generated intangible assets such as software. The section further indicates that expenditures not meeting the recognition criteria are expensed as incurred. The Corporation has determined that the adoption of this standard did not have a material impact on the financial statements.

Not-for-profit organizations (“NPOs”)

CICA 1000 - “*Financial Statement Concepts*” has been revised to clarify that expenditures not meeting the definition of an asset or recognition criteria are not permitted to be capitalized. CICA 1540 - “*Cash Flow Statement*” has been amended to include NPOs within its scope.

CICA 4400 - “*Financial Statement Presentation by Not-for-Profit Organizations*” has been amended to clarify the different treatment accorded internal and external restrictions on net assets and reporting revenue gross as a principal versus net as an agent when the organization is acting as a principal in a transaction. CICA 4430 - “*Capital Assets Held by Not-for-Profit Organizations*” has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets and amortize and write down those assets in accordance with relevant Handbook Sections. CICA 4460 - “*Disclosure of Related Party Transactions by Not-for-Profit Organizations*” has been amended to make the language consistent with related party transactions of for profit-oriented enterprises. CICA 4470 - “*Disclosures of Allocated Expenses by Not-for-Profit Organizations*” requires the nature of the expenses being allocated, the basis on which such allocations have been made, and the expense functions to which they have been allocated should expenses be presented in this manner.

Management has determined that the adoption of these amendments did not significantly impact the financial statements other than the new disclosures in note 9.

FPEGF Notes to Financial Statements

For the year ended March 31, 2010

4 Loans receivable

Loans are classified as follows:

	2010 \$	2009 \$
Entrepreneurship loans	513,318	363,973
Community Expansion loans	377,445	-
	890,763	363,973
Less: Allowance for loan losses	-	-
	890,763	363,973

Changes in loans receivable activity for the year are as follows:

	2010		2009	
	\$	\$	\$	\$
Loans receivable - beginning of year		363,973		-
Gross loans granted	850,870		478,867	
Provision for forgiveness ⁽¹⁾	(126,755)		-	
Interest rate discount to fair value ⁽²⁾	(165,046)	559,069	(113,734)	365,133
Interest accretion		42,646		1,915
Less: Loan repayments received		(74,925)		(3,075)
Loans receivable - end of year		890,763		363,973

⁽¹⁾ At the Corporation's option, up to 25% of the gross loans under the Community Expansion program can be forgiven if the lender's repayment experience is favourable. At the time the loans are disbursed, the Corporation established a reserve in the amount of \$126,755 for the full amount that can be forgiven.

⁽²⁾ The loans receivable contain an interest rate of 0% and are recognized at inception at the discounted fair value using a discount rate of 8%. Therefore, loans having a face value of \$850,870 (before the provision for forgiveness noted above) were discounted by \$165,046.

As a result, loans granted in the year, having a face value of \$850,870, were discounted to fair value of \$559,069. The Corporation recorded the provision for forgiveness and the interest rate discount to fair value totalling \$291,801 (2009 - \$113,734) as program expenses.

Interest income accretes on the loans receivable at a rate equal to the discount rate used at inception. Interest accretion in the amount of \$42,646 (2009 - \$1,915) was recorded as interest on loan receivable.

The Corporation has determined that an allowance for loan losses is not required at March 31, 2010.

5 Capital assets

Capital assets are as follows:

	<u>2010</u>		<u>2009</u>
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	26,143	13,012	13,131
Office furniture	97,325	36,755	60,570
Computer equipment	25,579	16,531	9,048
Website development	8,241	3,257	4,984
	<u>157,288</u>	<u>69,555</u>	<u>87,733</u>
			<u>115,647</u>

6 Financial instruments

Canadian generally accepted accounting principles require the disclosure of information about the fair values of its financial assets and liabilities. Fair value is the amount of the consideration that would be expected in an arm's length transaction between knowledgeable, willing third parties who are under compulsion to act.

The fair value of cash and cash equivalents, short-term investments, accrued interest and other receivables, contributions receivable and accounts payable and accrued liabilities approximates their carrying amount due to their relatively short-term nature.

The fair value of the loans due to the Corporation cannot be reliably measured as replacement financing does not currently exist.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest and currency risk arising from financial instruments.

Credit risk

Credit risk is the risk that an individual or business will be unable to pay amounts related to loans receivable in full when they become due. In order to reduce its credit risk, the Corporation has adopted credit policies which include the analysis of the borrower's net worth, credit rating, financial viability of the business, personal guarantees and subordinate positions as collateral.

7 Funding commitment

On April 1, 2008, pursuant to the Unanimous Members Agreement, the Province and the Corporation entered into a five year funding agreement that will see the Corporation receive annual contributions from the Province in varying amounts based on the net income of the Manitoba Lotteries Corporation. Minimum contributions under this arrangement are as follows:

	\$
Fiscal year ending March 31, 2011	4,420,000
2012	5,200,000

Under the terms of the funding agreement, the parties also agreed to negotiate a new funding agreement for periods after March 31, 2012.

During the year, the Corporation received a letter from the Province requesting an amendment to the existing funding agreement. The proposed amendment provides for the following fixed contributions:

	\$
Fiscal year ending March 31, 2011	3,791,200
2012	3,791,200
2013	3,791,200

The Corporation is currently in negotiations regarding this proposed amendment. Management estimates that, if approved, the proposed amendment would result in an annual reduction in funding of approximately \$2,000,000 based on the existing funding agreement formula.

On September 23, 2008, the Corporation and Aboriginal Business Canada of Indian and Northern Affairs Canada ("ABC") entered into an agreement whereby ABC paid the Corporation \$100,000 for the development of a business plan related to the REIP (note 2).

8 Restrictions and commitments

- a) The Corporation has approved, but not yet disbursed, the following assistance related to business plans and loans receivable:

	\$
Loans receivable	825,000
Business plan assistance	<u>92,786</u>
	<u>917,786</u>

These transactions have not been reflected in the financial statements. Commitments will be disbursed and recorded once all the terms and conditions under the lending agreements have been complied with by the party seeking the funds from the Corporation.

- b) Operating leases

The Corporation has entered into an operating lease agreement for office space and various equipment. The aggregate minimum annual cash rental payments under lease agreements are as follows:

	\$
March 31, 2011	49,917
2012	10,920
2013	10,920
2014	2,730

- c) The Corporation's disbursements are limited to "eligible assistance cost" for the purpose described in note 2 and "eligible administrative costs" which include wages and benefits, general office overhead, insurance and professional fees as defined in the funding agreement referred to in 7.
- d) Indemnification of directors and officers

The Corporation has agreed to indemnify its directors to the extent permitted by law against any and all charges, costs, expenses and amounts paid in settlement and damages incurred by them as a result of any lawsuit or any other judicial administrative or investigative proceeding in which they are sued as a result of their service.

9 Allocated expenses

During the year, with the commencement of the REIP, certain expenditures are being allocated amongst the two funds. The expenditures are allocated based on time spent by employees and the percentage use of supplies and equipment throughout the office.

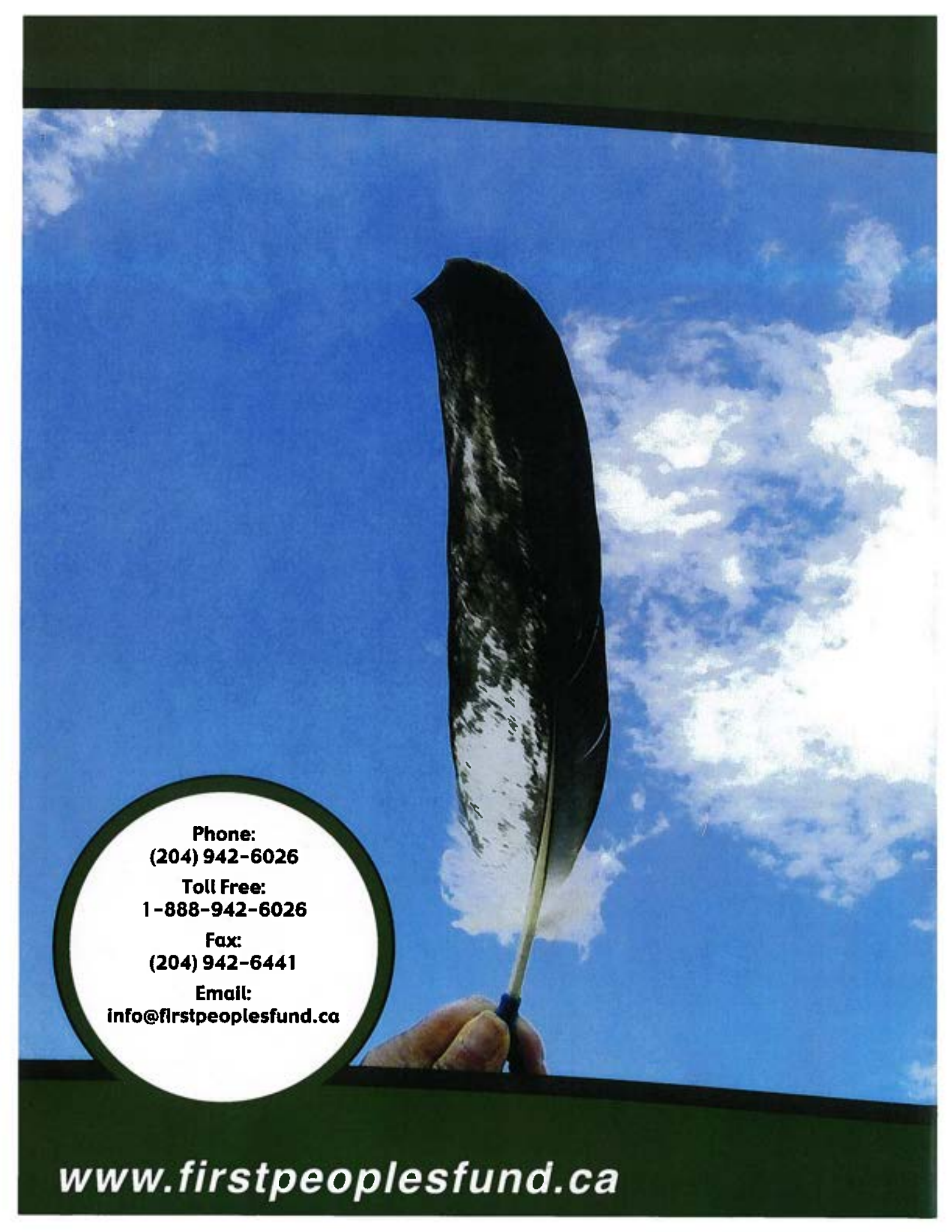
10 Capital disclosure

The Corporation's key capital objective is to maintain sufficient levels of capital so as to be able to provide for the long-term sustainability of the Corporation. Capital is largely made up of the contributions described in notes 2 and 7.

Under the terms of its Unanimous Members Agreement, the Corporation cannot borrow or enter into any form of indebtedness.

11 Comparative figures

Certain figures from the prior year have been reclassified to conform with the current year's presentation.

A hand is holding a large feather vertically. The feather has a dark, curved top and a lighter, downy bottom. On the shaft of the feather, there is a detailed landscape scene showing a forest and a body of water. The background is a bright blue sky with scattered white clouds. The entire image is framed by a dark green border at the top and bottom.

Phone:
(204) 942-6026

Toll Free:
1-888-942-6026

Fax:
(204) 942-6441

Email:
info@firstpeoplesfund.ca

www.firstpeoplesfund.ca