

DEVELOPMENT OPPORTUNITY PROJECT – RIVERBEND

SUMMARY FOR THE SIX NATIONS OF THE GRAND RIVER ELECTED COUNCIL, COMMITTEE OF THE WHOLE

APRIL 7, 2015

Project Overview

Riverbend Estates is a planned residential community, being developed by the Walton Group. The community is located in the Tutela Heights area of the County of Brant, immediately south of Tutela Heights Road and east of Mt. Pleasant Road.

Riverbend Estates includes a total of 263 acres of land, envisaged to be developed over four phases, with a potential for 500 to 600 residential lots, depending on market demand, lot sizing, and servicing solutions. The concept plan is currently for single detached homes, with lot frontages ranging from 50 to 76 feet. The community also includes parks, stormwater ponds and the preservation of over 70 acres of natural area, providing for numerous amenity lots backing onto these open spaces features. The community also provides for an at-grade multiple unit housing development in a condominium format.



Riverbend Estates Community:

- Developer – Walton Group, a Six Nations partner
- 263 acres including 70+ acres of green space
- 500-600 residential lots in 4 Phases
- Phase 1 – 200 lot draft plan
- Projected timing - 2017 to 2026
- Archaeological work substantially completed with Six Nations oversight
- Equity opportunity for Six Nations

The first phase of the project consists of 200 residential lots and is currently in the process of draft plan, area study and environmental assessment with the County of Brant. Development of the first phase is expected to commence in 2017 and the entire four-phase project is expected to be completed by approximately 2026. Walton intends to complete all municipal approvals, onsite and offsite servicing and sell serviced lots to homebuilders.

Archaeological studies of Riverbend have been substantially completed on the first two phases of development by an independent licensed archaeologist, with full oversight by Six Nations monitors. Archaeological studies will be undertaken on the remainder of the second phase and last two phases in a similar collaborative manner, and in accordance with Provincial regulations, prior to any development-related surface disturbance of the area. Should any significant archaeological sites be identified, Walton and Six Nations will work together to address them.

Six Nations – Walton Group Partnership

The Walton Group is a Calgary-based real estate investment and land development management company with over 4,500 acres of land under management in the County of Brant. Walton has an equity interest in each of the Brant land parcels, which is typically 5% of the total ownership. Each land parcel or project is syndicated, commonly in the form of a limited partnership, as is the case for the Riverbend Project, or undivided real estate interests.

Six Nations and Walton have worked collaboratively, with notable milestones reached on May 2, 2013, when the two parties entered into a Capacity Funding Agreement and more recently, on October 21, 2014, when an Umbrella Agreement was signed.

The Umbrella Agreement establishes a framework that governs the relationship between Walton and Six Nations. It sets out a collaborative process for potential equity participation by Six Nations in Walton projects located in the County of Brant, to realize on opportunities to solve infrastructure needs within the community and bring new economic opportunities to the area. Riverbend represents the initial development opportunity project under the Umbrella Agreement.

Walton is committed to supporting the Six Nations community. For example, it donated 180 trees in 2012 and made a \$20,000 donation to Project Skate Park in 2014.

Riverbend Participation Terms

Six Nations and Walton have worked together to negotiate and draft the following financial opportunity in the Riverbend Project:

- **Equity Opportunity:** Six Nations to acquire 20% of Walton's 5% interest in the Riverbend Project by acquiring up to 1% of the outstanding Riverbend Limited Partnership units from Walton at Walton's original land acquisition cost and proportionate operating expenses and reserves paid by Walton. This opportunity in the Riverbend project would represent an equity investment by Six Nations of approximately \$51,000;
- **Capacity Funding:** Walton will also provide capacity funding for Six Nations' external costs and community engagement process;
- **Participation Fees:** Six Nations to receive its proportionate share of any net cash flow from the Riverbend Project;
- **Construction Management Fees:** Six Nations to receive 10% of Walton's construction management fees for the Riverbend Project;
- **Performance Fees:** Six Nations to receive 10% of Walton's performance fee earned if financial returns from the Riverbend Project exceed certain thresholds;
- **Six Nations Services and Support:** Six Nations to provide services that add to the value of the Riverbend Project including consulting and attending strategic meetings;
- **Six Nations Compensation:** Six Nations to be compensated for the value of services provided, anticipated to be equal to the acquisition price for Six Nations' equity interest. Six Nations may also receive additional compensation in certain circumstances;
- **Loan to Six Nations:** If the Six Nations' service fees are inadequate, Walton will lend funds to Six Nations on commercially reasonable terms to permit Six Nations to purchase its equity interest.

Riverbend Project – Potential Financial Highlights

Sample financial scenarios for the Riverbend Project and the related assumptions on which these are based are set out below. Note that the financial scenario does not include any compensation Six Nations may earn for services, and assumes the full amount of Six Nations’ equity investment of approximately \$51,000 in the Riverbend Project is borrowed from Walton.

The Downside, Base Case and Upside ranges are representative scenarios illustrating sensitivities to potential returns to Six Nations based on onsite and offsite servicing solutions, and changes to three key model assumptions in the project proforma summarized as follows: 1) Revenues; plus or minus 10% of the base case front foot revenue; 2) Construction costs; plus or minus 10% of the base case project costs; and 3) Timing; plus or minus one year of the base case completion date of 2026.

The tables below illustrate these variables and their impact on financial returns:

Table 1- On Site Servicing Solution

Potential Six Nations Returns*	Downside	Base Case	Upside
IRR (Internal Rate of Return)	54.47%	64.68%	72.95%
ROI (Return on Investment)	13.55x	15.066x	18.86x
Total Cash Flow to Six Nations From Revenue Sources**	\$628,072	\$735,359	\$898,092

Table 2 – Off Site Servicing Solution

Potential Six Nations Returns*	Downside	Base Case	Upside
IRR (Internal Rate of Return)	57.35%	71.22%	87.03%
ROI (Return on Investment)	17.83x	29.75x	36.10x
Total Cash Flow to Six Nations From Revenue Sources**	\$845,864	\$1,452,994	\$1,776,309

***This analysis is a representative forecast based on the project assumptions for the Riverbend project at March 2015, and the assumptions set out in this summary. These assumptions may change over the course of project implementation and may impact actual returns. It is not possible to guarantee that the above projects results will be achieved.**

**Total Cash Flow to Six Nations is based on Six Nations’ proportionate share of participation fees, construction management fees and performance fees, and on the assumption that Six Nations acquires 20% of Walton’s 5% interest in the Riverbend Project by acquiring 1% of the outstanding Riverbend Limited Partnership units from Walton. It is assumed that the equity investment by Six Nations of approximately \$51,000 is at Walton’s original land acquisition cost and proportionate share of operating expenses and reserves paid by Walton, with Six Nations’ investment of \$51,000 borrowed from Walton. Total cash flow to Six Nations does not include fees derived from capacity funding or compensation payable to Six Nations for services, if applicable.