

Indigenous Leadership: Governance and Development Project

Case Study

Misty Ventures

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One of the key actions in Saskatchewan's Growth Plan 2020-2030 is to grow Indigenous participation in the economy. The success of this action depends on Indigenous nations in Saskatchewan building and maintaining their economic development activities. The Indigenous Leadership: Governance and Development project provides made-in-Saskatchewan tools for Indigenous communities to build the governance foundation that will support long-term economic development. An important part of the project involves capturing the experience of Saskatchewan Indigenous communities through case studies and toolkits based on this experience.

The case study in this document was developed by a team of researchers and their affiliates at the Johnson Shoyama Graduate School of Public Policy at the University of Saskatchewan. The project is funded by the Government of Saskatchewan's Ministry of Trade and Export Development.

The case studies are designed to be used first and foremost by Indigenous communities across Saskatchewan. The premise of the work is that economic development stories need to be shared among those involved in economic development, both in the community where the economic development activities take place and in other communities looking to undertake economic development. It is important to focus on what has and has not worked. One of the long-term goals is to develop a set of resources that is Indigenous-led and available to Indigenous communities across the province and the country. The cases may also be used as governance training components and/or strategic planning exercises, as well as in teaching.

The case studies combine material from websites and other publicly available sources with material gathered through interviews with leaders and representatives involved in economic development activities. The interviews last between two and four hours and involve a small group of economic development leaders in the community. The questions asked focus solely on the corporate entities and activities that have been developed, and those interviewed are asked questions in their role as a corporate leader.

When approaching community leaders and representatives, we begin with an informal discussion. If the leaders and representatives indicate an interest in participating, we proceed with sending them a formal letter of introduction, which they can use to obtain official permission to proceed. We know communities receive many requests for information, and they do not always see the results of the work that is undertaken. Our goal is to ensure that the case study is shared with the community in a way that is beneficial. To this end, a draft of the case study is shared with the community, and the case study is not finalized until the community gives its agreement. Once a set of case studies have been developed, leaders from the communities involved will be given the opportunity to discuss the findings.

We would like to thank the leaders and representatives for their time and effort. Their knowledge and insights are critical to understanding economic development in Indigenous communities.

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Misty Ventures Incorporated

Creating investment policies and an investment strategy is key to achieving anything

Overview and Key Learnings

Misty Ventures Inc. is the economic development corporation of Mistawasis Nêhiyawak First Nation. It was founded with the goal of creating wealth and independence for the First Nation through the development and ownership of successful businesses. The main customers of Misty Ventures' businesses are in construction, retail, property management, and the potash industry; the organization also operates a gas station which serves customers from surrounding reserves.

Misty Ventures has a strong focus on treating its partners and employees with respect, which has contributed to its success. As an Indigenous-owned organization, Misty Ventures faces challenges related to visibility and the need to prove itself. Despite these challenges, Misty Ventures has been able to start and grow nine businesses, with half of them being start-ups.

Misty Ventures uses a partnership model to meet its objectives. Partners are attracted to Misty Ventures due to its good reputation and straightforward approach to business. The company's focus is on creating equity, building capacity, and investing in the growth of its subsidiaries.

An important element for success is to not rush into an endeavour without thoroughly researching and considering all options. Achieving economic success while also meeting the needs and goals of the community can be difficult, but it is possible with careful planning. Misty Ventures is an example of how success can be achieved with the right approach. It is important to take the time to do due diligence and make informed decisions.

Background and History

The Mistawasis Nêhiyawak First Nation is located 70 km west of Prince Albert and 120 km north of Saskatoon. It has a long history of economic development, with a focus on meeting the needs of the community and improving quality of life. In 2011, the community decided to separate business and governance and applied to be part of the Business Ready Investment Development Gateway (BRIDG) program, which was funded by Indigenous and Northern Affairs Canada and delivered by Westcap Management Limited, a private equity firm. As one of the nine chosen communities, Mistawasis Nêhiyawak worked with the BRIDG program to become business ready and established Misty Ventures Incorporated.

The original board was comprised of Gary Daniels and Robert Daniels, as well as four individuals with industry experience. From 2013 to 2015, significant strategic planning was undertaken to get the financials in order and prepare for business readiness. In 2016, the community hired Robert Daniels, a member of Mistawasis Nêhiyawak, as the CEO of Misty Ventures. In 2013, Misty Ventures established governance policies and procedures, although it had no employees at the time.

Misty Ventures has been able to survive and grow through the profits from its companies. When Misty Ventures began, it was eager to do business with anyone; it also had a goal of owning a gas station on the reserve. However, over time the company has developed an investment policy to carefully evaluate potential partners. This includes conducting a full analysis of the business,

determining the potential benefits to the community, and examining the company's revenues, past litigation, and outstanding insurance claims.

One of the main challenges at the beginning was finding funding, as banks were initially unwilling to lend to Mistawasis Nêhiyawak. However, the community was able to access infrastructure funding from Indigenous Services Canada and use it as equity to secure additional financing from a bank. This funding was split into two loans, one for the community and one for the economic arm.

Governance

Misty Ventures operates on the belief that First Nations should have the autonomy to manage their own businesses and financial affairs. At the same time, Chief and Council should not be involved in running businesses; their role should be limited to supporting Indigenous economic development through governance.

In accordance with these beliefs, Misty Ventures is owned by Mistawasis Nêhiyawak. However, Chief and Council of Mistawasis Nêhiyawak do not oversee Misty Ventures; instead, it is governed by a board of directors, with the CEO reporting to the board. The board includes the band counselor who holds the economic development portfolio; this individual serves as the board chair and does not have voting power or the authority to make decisions. As required by the Governance Policy, the board – typically through the board chair – must communicate all major transactions to Chief and Council, who represent Mistawasis Nêhiyawak and its community members.

Misty Venture's board meets four times a year. The organization has regular audit and finance meetings, and the auditor conducts an annual audit at the same time as the community's audit. Misty Ventures provides budgets and quarterly financial reports to the board.

Structure and Approach

Misty Ventures was established with the goal of creating wealth and independence for Mistawasis Nêhiyawak. The company's focus is on building capacity and investing in the growth of its subsidiaries. For example, one of the companies owned by Misty Ventures had 68 employees when it was acquired; it now has 210 employees. Rather than paying dividends, Misty Ventures has a history of reinvesting profits in its companies to help them grow.

Each subsidiary of Misty Ventures operates independently, with its own director or CEO to oversee the business, but reports to and is directed by Misty Ventures as a whole. All the companies work together as the economic development arm of Mistawasis Nêhiyawak.

Misty Ventures is careful about selecting partnerships and conducts thorough due diligence before signing partnership agreements. The company looks for management agreements that provide benefits to both parties and involve meaningful engagement with the community. It is important for leadership to be informed about the current and future status of the businesses, but they are not involved in daily operations or HR issues. The leadership serves as ambassadors for the businesses and can support and enhance them during major transactions.

Operating costs are funded by profits from partnerships and company profits, and any surplus cashflow goes towards operating expenses. Misty Ventures accesses investment capital through various sources,

such as Mistawasis Nêhiyawak, traditional banks, or its own source of revenue. The organization's nine businesses are still paying down debt, and the CEO expects them to be self-sustaining within three years. In 2019, Misty Ventures became self-sufficient with sustained revenue and cash flow. The company's goal is to have \$500,000 available in the bank so that funding for business opportunities does not have to be sought elsewhere.

One of the most challenging times for an economic development corporation is the start-up period when it must deal with how it can afford to operate before it has business income. In Misty Ventures' case, Mistawasis Nêhiyawak – the owner – allocated casino-related revenue to cover operating expenses. With this financial backing, Misty Ventures has been able to build slowly and steadily using its brand to attract good partners and to participate in projects that require limited upfront equity.

Partnership Criteria

Misty Ventures is careful in its business partnerships and only works with companies that meet certain criteria. Since 2016, Misty Ventures has established a total of nine successful companies. When considering partnerships, the company conducts thorough due diligence and audits, which are presented at the Band's Annual General Meeting (AGM) for transparency. Auditors also attend the meetings to answer questions from band members.

Limited Partnerships

Limited partnerships are often used by First Nations communities to operate businesses off reserve. Limited partnerships are operated by a general partner and supported by additional limited partners who contribute capital. While the liability of the limited partners is restricted to the amount of capital they contribute, the liability of the general partner is unlimited.

In the case of Misty Ventures, Mistawasis Nêhiyawak is the limited partner and the passive financial investor, while Misty Ventures is the general partner that operates the business. Together, both entities form the Misty Ventures Limited Partnership. Through this arrangement, Misty Ventures protects Mistawasis Nêhiyawak from financial liability in the case of business losses.

Limited partnerships provide First Nations with both tax exemption and limited liability. Tax-wise, limited partnerships allow the community's business entity to operate and earn profits in their own name; this profit is exempt from income tax because the businesses owners – the First Nations – are exempt based on Section 87 of the Indian Act.

A limited partnership also allows communities to be the effective owner of a company while partnering with another entity to operate the business, limiting liabilities to the operating company rather than the community. In a limited partnership, the community, as a limited partner, typically owns 99.99% of the business and the operating company or general partner owns 0.01%. Because corporations are taxable, they only pay tax on their 0.01% ownership. While this structure can be complex, it is effective in achieving benefits for First Nations and their businesses.

The Chief and Council of Mistawasis Nêhiyawak appoint the board for Misty Ventures Inc. The board members have overlapping two- and three-year terms and are chosen through an application process that is open to all members of the community, with recommendations for appointment made by the

board. The board determines whether to consider only band members or to include external candidates, and then presents a list of recommendations to Chief and Council for a final decision.

The CEO of Misty Ventures works for Misty Ventures LP.

Accomplishments and Outcomes

Misty Ventures has established a wide range of business ventures (see Table 1). Misty Ventures is looking to invest next in solar energy.

Table 1. For-Profit Businesses of Misty Ventures

Business	Activity
Misty Petroleum	Operates a gas station in Leask, Saskatchewan
Misty Ventures Property Management	Property management company that manages the building and infrastructure assets of Mistawasis Nêhiyawak
Misty Ventures Storage and Containers	Provides compact, easily dismantle-able storage bins that can be easily moved from location to location
Misty Burton Concrete Services	Handles above-ground aggregate work, including concrete, gravel, and topsoil
Misty Chemco	General contractor service that assists with heavy industrial, electrical, and instrumental projects
Misty Clifton Engineering	Engineering firm that provides site testing, soil sample collection, and other environmental services
HCC Group	Specializes in contract mining and maintenance, underground bin construction and rehabilitation, contract drilling and blasting, road building and site preparation, water and sewer construction, and gravel crushing
miEnergy North America	EPC service provider focused on reducing reliance on non-renewable power sources
RST Maintenance	Property management company that does commercial snow removal and landscaping. Owned 100% by Misty Ventures. New acquisition September 2022.

Advice to Other Indigenous Businesses

An important element for success is to not rush into an endeavour without thoroughly researching and considering all options. Achieving economic success while also meeting the needs and goals of the community can be difficult, but it is possible with careful planning. Misty Ventures is an example of how success can be achieved with the right approach. It is important to take the time to do due diligence and make informed decisions.