



*Expanding Your Housing Options*  
Financing for First Nations Communities

*2011-2015*  
Business Plan Summary







## *Foreword*

This is a summary of the 2011-2015 Business Plan that was approved by the Board of Trustees of the First Nations Market Housing Fund (“the Fund”) and by the Minister for Canada Mortgage and Housing Corporation in accordance with the provisions of Section 18 of the Indenture of Trust.

The Summary provides an overview of the Fund’s mandate and business structure, analyzes the expected operating environment and sets out the Fund’s objectives and strategies for the upcoming five year period. The Summary demonstrates how the Fund intends to achieve these objectives and measure its success.

The First Nations Market Housing Fund has been in operation since May 2008. The Summary of the 2011 – 2015 Business Plan also includes an update to the summary of 2010 planned activities.



## *Table of Contents*

<b>Introduction.....</b>	<b>1</b>
<b>Message from the Chairperson .....</b>	<b>3</b>
<b>General Description of the Fund .....</b>	<b>5</b>
<b>Management and Organization.....</b>	<b>6</b>
<b>Governance .....</b>	<b>7</b>
<b>Financial Reporting .....</b>	<b>7</b>
<b>Long Term Objectives .....</b>	<b>8</b>
<b>Long Term Performance Measures .....</b>	<b>9</b>
<b>How the Fund Works .....</b>	<b>9</b>
<b>Business Activities Description.....</b>	<b>10</b>
Credit Enhancement Facility .....	11
Capacity Development Program.....	12
Investment Activities .....	12
General Administration .....	13
<b>External Forces and Internal Implications for 2011-2015 .....</b>	<b>14</b>
<b>Evaluation.....</b>	<b>15</b>
<b>Risk Management.....</b>	<b>15</b>
<b>Summary of Five Year Plan .....</b>	<b>16</b>
Objective 1.0: Implement the Credit Enhancement Facility .....	16
Objective 2.0: Deliver Capacity Development Programs.....	20
Objective 3.0: Effectively Manage Investment Services .....	24
Objective 4.0: Effectively Manage the Administration of the Fund.....	25
<b>Financial Plan .....</b>	<b>30</b>
<b>Budgets .....</b>	<b>34</b>
Operating Budget.....	34
Capital Budget .....	37



## *Introduction*

The First Nations Market Housing Fund (the Fund) will embark upon its fourth year of operations beginning in mid-2011. The Fund was developed with input from First Nation communities and organizations across Canada. During the 2011 – 2015 period, the Fund will continue to build upon the momentum of its early accomplishments and provide First Nation people living on reserve and on settlement lands where appropriate, easier access to homeownership, rental and renovation loans. The Fund is striving to establish a structural platform for long-term change in housing provision on communally held lands.

Additionally, the Fund's Capacity Development Program will provide funding for First Nation communities that meet or are close to meeting the Fund's criteria for the Credit Enhancement Facility, but have areas which need further development. The provision of training, advice and/or coaching will focus on developing and sustaining market-based housing capacity by promoting the adoption of best practices suitable to each community.

This Summary sets out the Business Plan for the Fund. The Business Plan encompasses the key activities and related resource requirements for the upcoming five years. The plan also includes an assessment of the key risks.





## *Message from the Chairperson*

Ahneen,



It is with great pleasure that I present the 2011-2015 Business Plan Summary. This Summary is a means to communicate the exciting work going on at the Fund. Activities with First Nations and participating lenders have increased. There has been great interest from across Canada in the Fund's products and services. Applications have been received from First Nations in eight provinces and the Yukon Territory. First Nations have been impressed with our flexibility and have asked us to consider other areas of support for the housing spectrum.

Several First Nations have qualified for loans backed by the Fund. Extra efforts to help implement arrangements between First Nations and lenders were evident in 2010. In 2011, this thrust will continue to be our focus. We want to support the successful implementation of this initiative.

To contribute to sustainability, the Trustees and Fund staff are also committed to helping strengthen First Nation individuals and communities through capacity development initiatives. These initiatives assist our First Nations as they move towards the enhancement or establishment of market-based housing in their communities. They have also enabled us to work closely with partners such as the Aboriginal Financial Officers Association and others to create growth and opportunity for our people.

In 2010 the Trustees approved a Vision Statement for the Fund. This Statement is the prime motivator for the Trustees and Fund staff each and every day. Our Vision Statement will guide us in our work and will always be top of mind:

*Every First Nation family has the opportunity  
to have a home on their own land  
in a strong community.*

We encourage First Nations interested in establishing or expanding an on-reserve housing market which respects the communal nature of the land to contact us for more information on how the Fund can assist your community. The Fund continues to listen and take steps to support First Nation governments in their commitment to creating opportunity for their citizens.

Meegwetch,

A handwritten signature in black ink, appearing to read 'J. Beaucage', written in a cursive style.

John Beaucage  
Chairperson of the Trustees  
First Nations Market Housing Fund

## *General Description of the Fund*

The First Nations Market Housing Fund is the first national fund established to help First Nations gain access to private sector housing loans while respecting the communal ownership of reserve land. The Fund's foundation was developed with input of First Nations and was modeled upon the expertise and success of innovative First Nation communities and financial institutions. This innovative approach supports the expansion of market-based housing on reserve and assists First Nations in paving the way for their members to access loans from financial institutions to build, buy or renovate a home on reserve, to either live in or to rent to others.

An enhanced market-based approach to housing can bring many benefits to First Nation members living on reserve, including a means to invest in their communities, employment growth based on new home/rental construction, building homes suitable to their needs, increased housing supply, improved quality of life and opportunities for First Nation families to build equity and generate wealth. Market-based housing contributes to alleviating pressures due to overcrowding and supports renovation and housing durability. It also contributes to the sustainability of communities by providing another housing option. For example, social housing units may be freed up for those members most in need.

The Fund provides an alternate form of security for housing loans made on reserve and on settlement lands where appropriate, through its Credit Enhancement Facility. The backing provided by the Fund in conjunction with First Nation guarantees, attracts lenders by offsetting some of the security issues while preserving the communal nature of the land. As a result, First Nations are provided with more leverage to negotiate favorable financing terms and conditions such as interest rates, loan features, risk-sharing agreements, reduced loan program access fees and favorable administrative arrangements.

The Fund works directly with First Nation governments. Individual First Nation members do not apply to the Fund. The First Nation will guarantee the members' housing loans. If a borrower defaults on an eligible loan, the lender will seek compensation from the First Nation. Should the First Nation not honour its obligation as guarantor, the lender will be able to turn to the Fund for compensation up to the amount of Credit Enhancement accumulated by the lender for loans made in the community.

The Fund's Capacity Development Program supports the provision of training, advice and coaching that focuses on developing and/or expanding market-based housing capacity.

It is tailored to the individual needs of First Nations and may help at the leadership, administrative and/or membership levels.

The Fund is self-sustaining due to the capital contribution received from the Government of Canada.

Participation in the Fund is available to those communities and financial institutions which choose to apply and qualify. The Fund is an additional mechanism to address on-reserve housing needs on a market basis.

## *Management and Organization*

The Fund is overseen by nine Trustees who have been drawn from the First Nation community, the Government of Canada community and the private sector financial community. Of the nine Trustees, six are appointed by the Minister for Canada Mortgage and Housing Corporation (CMHC) and three are appointed by the Minister for Aboriginal Affairs and Northern Development Canada (AANDC). During the planning period, six of the initial Trustees will reach the end of their initial terms on a staggered basis.

The Fund is a long-term, stand-alone, actively operating trust and is a separate entity from the federal government. Through arrangements with First Nations, lenders, loan insurers and others, the Fund will facilitate market-based housing over the long term.

The Fund began operations with a \$300 million contribution from the Government of Canada. In March 2008, the First Nations Market Housing Fund was established through an Indenture of Trust, registered in the province of Ontario. The Trust falls under Section 28 of the CMHC Act. Accordingly, the purposes of the Trust fall within the framework of the National Housing Act (NHA).

The Fund's core operations include the program activities of the Credit Enhancement Facility and the Capacity Development Program. These program activities are supported by the additional Fund operations of Investments and General Administration.

CMHC is appointed the Manager of the Fund for an initial five year period to April 2013.

## *Governance*

The governance, management and operations of the Fund are in accordance with the terms and conditions of the Fund's enabling documents which include an Indenture of Trust, and a Funding Agreement with CMHC designed to protect the federal funding and set parameters for the administration of the funding over the long term. A Management Agreement between CMHC and the Fund governs the day-to-day management.

The Trustees provide governance and leadership and are stewards of the Fund. They are strong, informed and engaged individuals. The Trustees are responsible for the Fund achieving its objectives, including promotion of the Fund in First Nation communities and taking part in special initiatives and events, and ensuring prudent investment of assets, financial accountability, the safeguarding of assets and regular reporting of results. In support of these responsibilities, the Trustees have established four committees – Audit Committee (4 members including an alternate); Investment Committee (2 members); Human Resources Committee (2 members); and an Operations Committee (2 members). Mandates have been set out for each committee.

## *Financial Reporting*

The Trustees appoint an auditor of the Fund annually subject to the approval of the Minister for CMHC. The external auditor conducts an audit of the Fund to obtain reasonable assurance that the financial statements present fairly, in all material respects, the financial position of the Fund as well as the results of its operations and that this information is prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and law. In carrying out these responsibilities, the Trustees ensure that appropriate financial systems and related internal controls are in place to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are properly authorized and in accordance with relevant legislation and policies of the Fund.

CMHC, as Manager of the Fund, provides reports to the Audit Committee of the Fund on a regular basis in respect to the financial performance and risks.

The annual plan and budgets of the Fund are submitted to the Minister for CMHC for approval through the Business Plan. An annual report, including the audited financial statements, are submitted to the Minister for information purposes and then made public.

## *Long Term Objectives*

The purpose of the Fund is to facilitate the availability of financing for, and the accessible supply of market-based housing in, First Nation communities. The Fund will also help to create the capacity in First Nation communities to become self-sufficient in developing and sustaining market-based housing, thereby contributing to the social welfare and civic improvement of First Nation communities and their residents. First Nation communities have a large population of youth under 25 that are the future homeowners and leaders of their communities.

An over-arching goal is to create an option for First Nation members to move away from a system that depends almost entirely on subsidies from government at all levels, to a system that provides to First Nation residents the same housing opportunities and responsibilities in their communities as other Canadians.

Another goal of the Fund is independence, but this will be gradual and will only occur if there is demonstrated success through the core objectives and activities of the Fund. It is understood that achieving this goal will include a series of steps including exercising good governance, increasing the perception of the Fund as a separate entity from government, and developing a clear understanding of the conditions for a transfer of control from the Government of Canada to First Nations.

The objectives of the Fund are to develop and provide the following on a long term non-profit basis:

- a) a facility to support the availability of private-sector financing without government subsidies in First Nation communities, despite the constraints relating to the nature of title, the provision and enforcement of security, and the communal ownership of property; and
- b) a means to support the development of the capacity of First Nation communities to a stage where private-sector financing can successfully be made available to them.

## *Long Term Performance Measures*

While the following measures are long term, progress toward them will be assessed through the evaluation of the Fund's operations to be undertaken beginning mid-2011:

- a) Has the Fund increased First Nations individual self-sufficiency and responsibility for housing on reserve?
- b) Has the Fund reduced reliance on federal funding?
- c) Has the Fund established a structural platform for long-term change in housing provision and outcomes on reserve?
- d) Has the Fund increased the supply of market-based housing on reserve?

## *How the Fund Works*

Through its Credit Enhancement Facility, the Fund provides a partial financial backstop for housing loan guarantees made to financial institutions by a qualified First Nation. Participation in the Fund is available to those communities and financial institutions which choose to apply and qualify.

The Fund's Access Criteria is the basis for the assessment and qualification for Credit Enhancement. The Access Criteria is based upon three pillars: Financial Management; Good Governance; and Community Commitment and Evidence of Demand for Market-Based Housing.

Once the Fund qualifies a First Nation under the Credit Enhancement Facility, the First Nation will make arrangements with a lender or lenders to facilitate its members' access to financing. This financing will help to build, buy or renovate a home on reserve and on settlement lands where appropriate, that could either be homeownership or rental tenure. Due to the communal nature of the land, the First Nation must guarantee the housing loans of its members. Individual First Nation members do not apply directly to the Fund.

If a borrower defaults on an eligible loan, the lender will seek compensation from the First Nation. Should the First Nation not honour its obligation as guarantor, the lender will be able to turn to the Fund for compensation up to the amount of Credit Enhancement accumulated by the lender for loans made in the community.

The Fund also has a Capacity Development Program which provides funding for First Nation communities that meet or are close to meeting the Fund's criteria for the Credit Enhancement Facility, but have areas which need further development. Funding for capacity development supports the provision of training, advice and coaching which focuses on developing market-based housing capacity for qualified First Nations and members of these communities. Capacity Development develops policies and people to make stronger communities able to attract and sustain investments in market-based housing.

## *Business Activities Description*

The core business activities of the Fund include the following Program Activities:

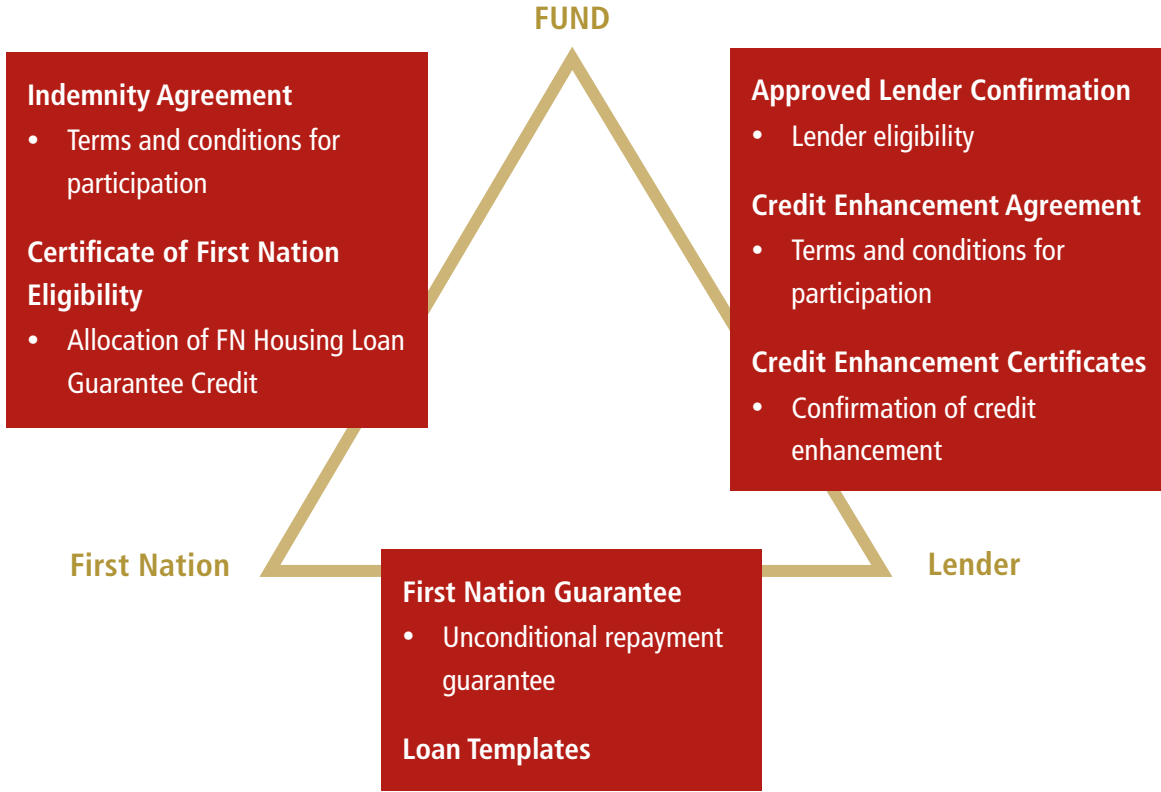
- Credit Enhancement Facility (CE)
- Capacity Development Program (CD)

Ancillary to the core business activities are Investment Activities. The Fund is supported by General Administration.



## CREDIT ENHANCEMENT FACILITY

Three relationships exist in the Fund’s provision of Credit Enhancement. Each relationship represents a set of conditions, commitments and activities under the umbrella of the Fund. The following diagram provides a visual summary of these relationships and the form of agreements under which the Fund provides its Credit Enhancement.



### Core Activities

The operational activities in relation to the Credit Enhancement Facility include business development services; qualification and selection of eligible First Nations; selection of eligible lenders; compliance monitoring; processing and payment of claims; and creating and providing reports.

## CAPACITY DEVELOPMENT PROGRAM

The Fund's Capacity Development (CD) Program is participatory in nature and is designed to work hand in hand with a First Nation to create and agree upon a CD plan. CD may be delivered in a variety of formats such as the provision of training, advice and/or coaching – all focussed on ensuring that interested First Nations are equipped with the tools they need to implement and sustain market housing programs as a viable option for their members.

It is recognized that capacity development needs identified through the First Nation's self-assessment and the Fund's assessment process may take up to three years to address. The timeframe is determined by the priorities of the First Nation and their readiness to effectively take on the identified capacity development training. The Fund acknowledges that each First Nation has their own set of priorities to balance with the time and resources they have available and the goal is to ensure that participants are able to undertake capacity development at their identified pace.

### Core Activities

The operational activities in relation to the CD Program include approving use of CD funding for First Nations who have been assessed through the evaluation process; working with eligible First Nations to create CD Plans appropriate to the specific needs of that First Nation; identifying qualified consultants to meet CD needs; prioritizing the disbursement and use of CD funding; providing ongoing monitoring and evaluating; creating and providing reports; and developing new CD tools on an ongoing basis.

## INVESTMENT ACTIVITIES

The Fund is self-sustaining due to the capital contribution received from the Government of Canada. Investment income supports the program activities of the Credit Enhancement Facility and the Capacity Development Program. The management of the investment portfolio is undertaken to minimize volatility of expected investment results and cash flows in order to achieve the following objectives:

- Maintain sufficient liquidity in order to meet business requirements as they arise.
- Preserve and grow capital to maintain and expand the capacity of the Fund to carry out its core activities.

## **Core Activities**

The operational activities in relation to investments are performed by the Investment Manager and include investing the assets in accordance with the Statement of Investment Policy and the annual Investment Strategy; maintaining a custodial account for the holding of securities; monitoring and providing regular performance and position reporting; advising the Trustees on actual or anticipated issues arising out of the Investment Services; and proposing amendments to the Statement of Investment Policy.

## **GENERAL ADMINISTRATION**

To remain a strong organization that is able to fulfill its mandate, the Fund draws on sound financial and risk management, efficient and reliable information technology processes and systems and effective human resources management. All of the Fund's general administrative services support the Fund's objectives.

General administration for the necessary support of the day-to-day activities of the Fund will be performed by the Fund Manager.

## **Core Activities**

The operational activities in relation to Administrative Services involve financial services including managing the Fund's bank accounts, processing Fund expenditures, preparing necessary reports and statements, filing required returns and preparing the Business Plan and Annual Report; Human Resources services including hiring, supervision, establishing goals and expectations and conducting performance reviews; providing all goods and services necessary; maintaining the Fund's policies, procedures and guidelines; and, active participation in the CMHC Minister's evaluation of the Fund.

## *External Forces and Internal Implications for 2011-2015*

Embracing market-based housing is an evolutionary process looking to the future with transformative change, not simply short-term band-aid solutions. In order to stay on top of the game, the Fund must always be aware that there are certain external forces that the Fund can control and influence going forward and others that we must simply adapt to as we grow and evolve. There will be ebbs and flows in the Fund's success as in any young and developing business.

The Fund has faced various challenges to date and has met these head on. For example, the ramping up of First Nations' participation in the Fund in 2008-2009 was slower than anticipated. The Trustees discussed the situation and endorsed the implementation of an enhanced business model beginning in 2009 which included more face-to-face meetings in First Nation communities before, during and after the application process. These additional visits have proved to be a necessary and worthwhile investment for the Fund to continue to work towards qualifying First Nations and helping them to implement successful loan initiatives.

In 2010, the Fund put workplans in place that focussed specific Fund resources on First Nations that were closest to being operational under the Credit Enhancement Program. This focus allowed for increased support in those communities that are determined to advance market-based housing for their members.

In 2011, the Fund has enhanced these workplans to include increased monitoring and tracking of the various external forces that have been encountered that have implications on internal activities of the Fund including the First Nation environment, competition, and collaboration.

## *Evaluation*

CMHC on behalf of the Government of Canada will conduct a performance evaluation of the Fund during 2011 and 2012. In preparation for this, the Fund has worked towards determining the baseline data elements that should be captured in the evaluation.

The Fund has been engaged with CMHC on the design of the evaluation and plans to actively participate in the planning and conduct of the evaluation, the development of recommendations and the process for implementation of these recommendations.

## *Risk Management*

There is always some degree of uncertainty which could affect the ability to achieve objectives. The goal of risk management is not to eliminate risk, but rather to ensure that existing and emerging risks are identified and managed in a balanced manner.

The Fund has in place a Risk Management Policy that provides guidance on the effective management of risks within and across the Fund organization in pursuit of the Fund's business objectives. On a quarterly basis, staff carries out a formal risk assessment and the Fund Manager provides a written Risk Management report to the Trustees and the Funder.

Risks that may be relevant to the operation of the Fund are grouped into three broad categories including business risks, reputation risks and operational risks (including financial).

Within the strategic context of the Fund, the above-noted categories identify risk types that may impede the achievement of objectives. Not all risks will be relevant to the Fund at all times. These categories guide the assessment of potential risks that are relevant at a given point in time to the achievement of the Fund's long term goals and annual business objectives.

## *Summary of Five Year Plan*

The First Nations Market Housing Fund's Business Plan reflects the Fund's mandate and direction provided by the Board of Trustees. This summary outlines the main business activities and four objectives of the Fund. There is an overview of the issues, initiatives, strategies and measures for each.

- 1. Implement the Credit Enhancement Facility**
- 2. Deliver Capacity Development Programs**
- 3. Effectively Manage Investment Services**
- 4. Effectively Manage the Administration of the Fund**

### **OBJECTIVE 1.0: Implement the Credit Enhancement Facility**

#### **Overview**

The Credit Enhancement Facility provides assurances to third party lenders/insurers that repayment of financing arranged for housing in a qualified First Nation community will be honoured up to the limit of the agreed upon Credit Enhancement in the event that the qualified First Nation fails to fulfill its responsibility for the repayment of a loan default.

The Fund has taken steps to identify issues that need to be addressed to implement the Credit Enhancement Facility. However, there are static issues and drivers in the environment within which the Fund is working. These are issues that must be mentioned but that are considered as "givens" in the day-to-day work of all Fund staff. These include:

- The on-reserve population is growing at twice the Canadian average. This demographic surge places increasing pressure on the housing supply. Demand for housing outstrips supply.
- There is a lack of housing choice and affordability on reserves and much of the existing housing stock is in poor condition.
- A major barrier to attracting private funding on reserve land is the inability to offer the land as security that a financial institution could access in the event of loan default since it is protected by the Indian Act from seizure by non-Indians and is typically communally owned.

- Homeownership rates are low and not all First Nations are able to support market-based housing initiatives.
- Some First Nations do not believe in paying for their housing.
- Housing remains a political issue in many communities.

**RISKS associated with this objective are:**

- Application to the Fund is voluntary and there is no deadline to apply.
- First Nation leadership and administration may not agree on work priorities within the confines of limited staffing resources.
- Lenders may be slow to participate in the Credit Enhancement Facility because of the lack of familiarity with lending in First Nation communities.
- The perception in some communities that housing is a treaty right and that many First Nations are not ready for market-based solutions or tools.
- First Nations may decline to participate in the Credit Enhancement Facility due to perceived or real barriers to participation such as the relatively small size of the “middle class” or the limited number of First Nations located where there is an economy translating into a limited number of qualified borrowers.

**Initiatives & Strategies**

**1.**

- Ensure lender/First Nation agreements are in place for loans to be issued to community members.
- Focus on First Nations that are already approved for Credit Enhancement to facilitate loans being available and units getting built/renovated.

The Fund is launching an aggressive strategy to ensure that all approved First Nations get agreements in place with lenders to facilitate the flow of loans to community members. Fund staff will be focussed on this as a priority and work with the lenders and First Nations to ensure loans translate to units built or renovated for First Nation families.

Other considerations include the status of ongoing applications, identifying new target-ready or near-ready First Nation communities through expanded points of contact (Trustees, auditors, bank managers, land developers, etc.) as well as further identifying target geographic areas for workshops.

## Measures

- # of lender agreements with First Nations
- # of loans to individual members
- # of units approved

### 2.

- Support ready or near-ready First Nation communities with increased on-site visits before the application process and expanded visits during the application process.
- Determine and demonstrate the key points that set the Fund apart from other options and demonstrate the value proposition by showing how the Fund has influenced progress.
- Collaborate with approved First Nations to demonstrate how the process really works.

The Fund will continue to adapt, improve and streamline the application process to meet the needs of First Nations and the Fund in the most timely and effective manner possible while respecting the capacity and time limitations of First Nations. The Fund will continue with a tactical strategy for engaging targeted First Nations. The strategy will build on the business model implemented in mid-2009 and followed throughout 2010 in regards to utilizing more “face-to-face” meetings and on-going staff support to guide interested First Nations through the application and implementation processes.

## Measures

- # of new applications
- # of new qualified First Nations

### 3.

- Hold application processing workshops at a multi-stakeholder level within a geographic area (e.g. Tribal Council or Provincial / Territorial Organization (PTO)).

The Fund will pursue every opportunity to become engaged with Tribal Councils and PTOs to present the Fund’s offerings and host targeted application processing workshops in all regions where appropriate.



The Fund will explore methods of ensuring the presence of informed regional ambassadors for the Fund and cultivate stronger relationships with the appropriate individuals and organizations that could effectively assist with the implementation of the Credit Enhancement Facility. Communicating further with First Nations who have already experienced the process will assist with developing a strategy to better serve other First Nations. Trustees will be actively engaged in opening doors for the Fund.

### Measures

- # of workshops/presentations
- # of new applications

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#### 4.

- Pursue the networking opportunities identified as a component of the annual communications plan to assist with improving visibility and credibility. This includes working with First Nation partners, Trustee contact networks and other recommendations.
- Trustees to support this initiative by promoting the Fund in First Nation communities and taking part in special initiatives and events.
- Target non-participating lenders and enhance relationships with participating lenders.
- Enhanced website and print materials.

The Fund will enhance public education efforts about the Fund and that it represents an additional mechanism to deal with on reserve housing needs on a market basis and will complement and not replace existing public and private programs and initiatives.

The Fund will analyze the offerings of lenders, banks and other key stakeholders with similar interests to establish new relationships and strengthen current ones. It is important for the Fund to have a better understanding of what the realities for First Nations are regarding the options that will best suit their needs. New lenders, especially regional lenders in close proximity to approved First Nations, will be targeted as part of the 2011 engagement strategy.

### Measures

- # of new lenders
- # of inquiries

## OBJECTIVE 2.0: Deliver Capacity Development Programs

### Overview

The Capacity Development Program supports the provision of training, advice, and coaching that focuses on developing market-based housing capacity for clients and is tailored to the individual needs of First Nations as determined through the assessment process. This assistance also enhances the professional development of housing inspectors, housing managers, land managers and finance officers, among others. Capacity development needs are varied and the range of requirements can be vast but the opportunity for the Fund to become a leader in the area of capacity building is great.

### RISKS associated with this objective are:

- First Nations who qualify for Capacity Development funding may experience delays in implementing the training plan (lack of trainers, other First Nation priorities, etc.) which in turn may impact the timing of the approval or implementation of Credit Enhancement for the First Nation.
- The Fund does not generate enough net income to provide for capacity development the following year due to higher than expected claims and / or lower than expected income from investments.
- First Nations who default on the Credit Enhancement Facility may have their access to Capacity Development spending removed.

### Initiatives & Strategies

#### 1.

- The Fund will work with Standing Offer Holders and approved First Nations to finalize capacity development plans and ensure delivery of training.
- There will be ongoing monitoring of training sessions to ensure that the contractor verification process resulted in value for money with respect to the training provided.

The Fund's efforts in 2011-2015 will focus on the funding and delivery of training plans agreed upon between First Nations and the Fund. Although the Fund will draw from the Standing Offer Holders first, Fund staff will assist the First Nations with arrangements with other consultants and institutions where applicable. The Fund will work towards putting an efficient system of contractual arrangements in place.

The Fund recognizes the importance of working with potential partners who are already working on capacity building exercises with First Nations in various parts of the country. These efforts should be complemented and enhanced by the Fund and not duplicated or seen as competition. Some First Nations have developed positive working relationships with consultants in the area of capacity building and this is encouraged and supported by the Fund as it relates to the Fund's three pillars.

### Measures

- # and amount of Capacity Development Funding commitments provided to First Nation communities

### 2.

- Support and work with First Nations to ensure capacity development training is meeting the need identified.
- Focus efforts on ensuring First Nations that receive capacity development funds become eligible for credit enhancement in as timely a manner as possible.

The Fund will work with approved First Nations to ensure that the capacity development assistance received prepares and sustains these communities for Credit Enhancement. Where appropriate and/or once they are approved for Credit Enhancement, the Fund will work collaboratively with these First Nations to profile them as success stories for other communities that are already working towards capacity development or are considering the Fund as a housing option.

### Measures

- # of First Nations assisted by Capacity Development funds that become eligible for Credit Enhancement
- tangible new strength demonstrated in the community as a result of Capacity Development funding

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### 3.

- Support ready or near-ready First Nation communities through increased business development visits to present the benefits of the Fund and outline the Capacity Development program.
- Demonstrate the key points that set the Fund apart from other options and outline the value proposition by showing how the Fund has influenced progress through capacity building.

The Fund will continue with a tactical strategy for engaging targeted First Nations. The strategy will build on the business model implemented in mid-2009 and followed in 2010 in regards to utilizing more “face-to-face” meetings and on-going staff support to guide interested First Nations through the application process.

#### Measures

- # of new qualified First Nations for capacity development

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### 4.

- Training tools and materials to address any gaps between those services available in the market-place and the needs of eligible First Nation communities will be developed.
- The Fund will work towards becoming more responsive to regional First Nations diversity.

It has become clear that First Nations across the country are quite diverse from region to region and the Fund needs to be aware of these distinctions when approaching communities and organizations. Regional contacts are key points to facilitate a more informed, targeted and engaged approach to securing information on local housing markets, political climates, land tenure regimes, and housing options currently being pursued in each region. There are strong influences from individuals and organizations in each region that may assist the Fund in the development of effective capacity building training plans on a region-by-region basis.

#### Measures

- new tools and materials developed to respond to a particular need

The following table illustrates the planned results of the operations of the Fund for the 2011-2015 planning period (CE refers to Credit Enhancement, CD refers to Capacity Development):

Projected Activity	2010 Original Plan	2010 Updated Plan	2011	2012	2013	2014	2015
<b>Applications</b>							
<i>Received</i>	-	21	39	48	48	48	48
<i>Cumulative</i>	-	38	77	125	173	221	269
<b>Approved First Nations</b>							
<i>CE and CD (*52% of apps)</i>	-	11	23	25	25	25	25
<i>CD Only (48% of apps)</i>	-	8	21	23	23	23	23
<i>CE after CD (40% of CD only will qualify for CE after 2 years, another 40% after 3 years)</i>	-	-	1	4	12	18	18
<b>New Qualified First Nations for Credit Enhancement</b>							
<i># First Nations</i>	35	11	24	29	37	43	43
<i>Cumulative</i>	55	17	41	70	107	150	193
<b>Units Approved</b>							
<i># New Units</i>	300	9	153	369	630	963	1,350
<i>Cumulative</i>	350	9	162	531	1,161	2,124	3,474
<b>Lenders</b>							
<i># Qualified</i>	7	7	9	9	9	9	9

\* Based on results to date (2008-2010), 52% of the applications received are anticipated to qualify for credit enhancement in the year in which they are received. Of those approved for CD only in the year in which they are received, 40% are anticipated to qualify for Credit Enhancement after 2 years and 40% are anticipated to qualify after 3 years of capacity development. It is estimated that 20% of applications approved for CD only may not proceed to qualify for Credit Enhancement.

The plan figures in the 2011 column for "Approved First Nations" reflect higher values than the applications received figure of 39 would generate. There will not be sufficient time to completely process some of the applications received in the latter part of 2010 (5 of the 21) therefore these applications have been carried forward to the calculations for 2011.

## OBJECTIVE 3.0: Effectively Manage Investment Services

### Overview

All investment activity conforms to the requirements of the Fund's Statement of Investment Policy. The Statement of Investment Policy sets out the governance and management roles pertaining to the investment management of the Fund's assets and defines and controls the risk and return expectations of the Fund through quantitative limits on investment holdings. In addition to the Statement of Investment Policy, the Fund develops an annual Investment Strategy. The Fund must be able to appropriately manage consequences of fluctuations in market conditions.

The revenue generated from the capital of the Fund is used to maintain and also to expand the capacity of the Fund to carry out the Credit Enhancement Facility and the Capacity Development Program, to cover the administrative expenses of the Fund, as well as any additional programs in accordance with the Indenture.

### Initiatives

- Review the Statement of Investment Policy.
- Preserve and grow capital.

### Strategy

The Investment Manager prepares an annual Investment Strategy for the approval of the Trustees. The Investment Strategy identifies the investment instruments, asset mix and the risks of the strategy. The Fund follows a passive investment strategy.

The Investment Manager uses an investment management style that is conservatively implemented with a long term horizon within the Fund's permitted asset classes. The long-term expectations for the risk and return of the portfolio are generally consistent with those of 5-year Government of Canada bonds. Real returns are subject to inflation.

### Measures

The Investment Strategy of the Fund is intended to achieve sufficient returns to cover administrative expenses, provide for Capacity Development and meet future Fund objectives.

## OBJECTIVE 4.0: Effectively Manage the Administration of the Fund

### FINANCE OVERVIEW

The Fund Manager is responsible for the integrity and objectivity of the Fund's financial statements and must ensure that they are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Fund maintains appropriate financial systems and related internal controls to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded, transactions are properly authorized, resources are managed efficiently and economically, and operations are carried out effectively.

### Initiatives

- Implement revised accounting standards, when required.
- Continue the process to obtain confirmation that the Fund is exempt from paying income taxes.
- Support the evaluation of the Fund by actively participating and providing data and other information as required.

### Strategy

The Fund plans to continue to pursue all available avenues to support its position as a non-taxable entity.

The Fund will remain engaged with CMHC on the design of the evaluation in 2011 and plans to actively participate in the planning and conduct of the evaluation, the development of recommendations and the process for implementation of these recommendations.

### Measures

- revised accounting standards in place, if required
- approval of 2012 Business Plan
- Fund demonstrates valuable contributions to a robust evaluation undertaken on a timely basis

### HUMAN RESOURCES OVERVIEW

CMHC, as Fund Manager, is responsible for the provision and management of staffing for the Fund. Since 2009, the Trustees have been taking steps to initiate the approval of the Fund's own human resources policies. The finalization of these policies and compensation package will be implemented in 2011.

## Initiatives

- Approve human resources policies and a compensation package for the Fund.
- Explore long-term staffing arrangements and the manner in which they can be provided that attracts First Nation individuals.
- Provide staff training / mentoring to support Fund activities.

## Strategy

The Fund will explore the feasibility of staff with familiarity of regional perspectives, positions and political landscapes as an option to move forward effectively.

The Fund will continue its development of human resources policies and a compensation package in order to support the direct engagement of First Nation professional and knowledgeable staff over the long term.

The current staff complement is committed, informed and knowledgeable about the First Nation housing market and First Nations generally. The Fund will support the staff with training as required, team building and will ensure that internal communications are effective to ensure retention and engaged personnel.

## Measures

- # of long term staffing arrangements
- training courses taken and implemented
- human resources policies that attract and retain committed staff

## MARKETING OVERVIEW

It is challenging to market the Credit Enhancement Facility and Capacity Development Program given the Fund is such a young organization. Trustees are working to open doors for Fund staff to support and assist prospective First Nation communities to learn about market based housing, to complete applications, to put capacity development plans in place, to be approved for credit enhancement, to get loans put in place and ultimately to get First Nation families into homes of their own. It is anticipated that marketing and communication efforts going forward will include a collaborative effort between Trustees and staff to overcome any challenges with public education and knowledge transfer.



## **Initiatives**

- Provide timely website updates.
- Ongoing outreach/media.
- Update and develop print materials as required.
- Attend and participate at trade shows/events.

## **Strategy**

The Fund will review and update the website to ensure that it is always current and contains user-friendly material and content that is geared to specific target audiences (i.e. sections for lenders, First Nation communities, partners, etc). It continues to be important to communicate to First Nations that the Fund is a stand-alone, actively operating Trust that is a separate entity from the federal government.

In the past, the Fund has responded mainly to First Nations that expressed an interest in the Fund at conferences, trade shows, and meetings and through contacts and subsequently offered an invitation to present the Fund's offerings in their community. This will continue, but going forward, the Fund also intends to move towards a more aggressive strategy to create awareness about the Fund through information sessions and application workshops offered to multi-community gatherings (Tribal Councils, Provincial / Territorial Organizations) including First Nations that are ready or near-ready to embrace market-based housing in their communities.

The opportunity for the Fund to support First Nations learning from other approved First Nations or First Nations that are involved in the process will be sought wherever possible.

## **Measures**

- regularly track usage of the web
- # of events, trade shows, conferences, meetings attended
- media releases
- feedback and inquiries received from First Nations, lenders, community members, organizations, etc.

## COMMUNICATIONS OVERVIEW

The Fund's Communication Strategy describes the objectives to be achieved by the strategy, the targeted audience and the key messages (i.e. the key facts, thoughts or ideas that the communication activities seeks to impart). As part of the Fund's Communications Strategy, a detailed schedule of planned communication-related activities is prepared annually. The cost to support these communication activities is included in the annual budget. The Communication Strategy is updated to reflect the strategies and outcomes from the annual Strategic Planning session where new ideas and events emerge.

### Initiatives

- Collaboration and partnerships with Aboriginal organizations.
- Reach as many of the Provincial / Territorial Organizations and Tribal Councils (TCs) as possible.
- Engage First Nations youth in information sessions.
- Host targeted sessions to introduce the Fund to as many First Nations as possible in a particular region.
- Promote capacity development opportunities for youth in eligible First Nation communities (e.g. how to establish good credit).

### Strategy

The Fund has a growing referral network that demonstrates the success of the core activities. This has been enhanced by the Trustees' efforts to connect their networks of contacts in the First Nation and business communities to Fund staff. There are also opportunities at the regional levels to simultaneously reach a larger number of First Nation Chiefs, Councillors and senior band staff at various gatherings.

Additionally, collaborative partnerships and other organizations such as the Aboriginal Financial Officers Association are also promoting and introducing the Fund to First Nations and lenders alike. The Fund will pursue every opportunity to work collaboratively with Aboriginal organizations, national organizations and regional government agencies to educate First Nations about the Fund and the benefits it may provide in their communities. These partnerships and collaborations help to increase exposure and build the reputation and credibility of the Fund in the eyes of First Nations and lenders.

Relationships with potential stakeholders can be very effective nationally, regionally and locally. The Fund will ensure that this relationship building is mutually beneficial, drives the objectives of the Fund and is an efficient use of time and resources.

The Fund will make efforts to provide an opportunity for youth to learn about the options and benefits that the Fund offers. By appealing to First Nation youth and young professionals (ages 25-35) there might be a greater response and appeal around the concept of wealth creation through home ownership. As the future leaders, professionals, parents, and homeowners, it is imperative that First Nation youth be included in sessions where appropriate.

### **Measures**

- increased number of partnerships and collaborations
- demonstrated reach to First Nation clients through collaborations
- # of sessions held and # of participants and First Nations represented at sessions
- demonstrated interest by First Nation youth

## *Financial Plan*

The Financial Plan presents the overall results anticipated in 2010 and over the planning horizon from 2011-2015.

The Fund commenced operations in May 2008 with the initial contribution of \$300 million from CMHC on behalf of the Government of Canada. The \$300 million provides a partial financial backstop or "credit enhancement" to a First Nation's housing loan guarantee made to financial institutions. The Fund is expected to provide Credit Enhancement to financial institutions beginning in 2010.

The Fund's accumulated Credit Enhancement coverage cannot exceed the net worth of the Fund with net worth being defined as the difference between what the Fund owns and what it owes. As long as the Fund remains a going concern, the deferred contribution is not considered to be an amount owing by the Fund. The accumulated coverage over the planning period, based on the number of planned units, an average loan amount of \$150,000, and the Fund's Credit Enhancement of 10 percent, is projected as follows:

<b>ACCUMULATED CREDIT ENHANCEMENT COVERAGE</b>	<b>2010 Plan</b>	<b>2010 Updated Plan</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Cumulative Units</b>	350	9	162	531	1,161	2,124	3,474
<b>Expected Lending Value (\$M)</b>	52.50	1.35	24.30	79.65	174.15	318.60	521.10
<b>Accumulated Coverage (\$M)</b>	5.25	0.14	2.43	7.97	17.42	31.86	52.11

The Fund has engaged in discussions with its external auditors to determine the appropriate methodology for valuing its backstop under the Credit Enhancement facility. At the time of writing this plan the actual valuation methodology had not been determined. As such, for purposes of this Financial Plan, claims against the Fund's backstop continue to be projected on

a cash flow basis, consistent with the 2010 – 2014 Plan. There are no projected claims against the Fund's backstop during the planning period. While some individual borrower defaults are projected during this planning horizon, it is anticipated that the level of defaults can be managed by the First Nation communities which must provide the first line of defence to the financial institutions.

The Fund is expected to be self-sufficient, and it is not permitted to borrow as stipulated in the Indenture of Trust. The capital contribution provides for future claim expenses. Revenues for the Fund are generated from the investment of the initial \$300 million contribution. Cash in-flows from investment returns cover operating expenses for administration, capacity development, and evaluation costs. Earnings beyond these expenses provide for possible future claim expenses, and grow capital to maintain and expand the capacity of the Fund to carry out its core activities.

In 2009, the Fund completed the implementation of its investment strategy. Investment returns over the planning period are forecasted to increase in 2015. These returns represent an increase compared to the forecasted returns in the 2010-2014 plan. The increase is a result of the Canadian economy rebounding from the economic downturn which began in late 2008 and continued into 2009. This forecast takes into consideration current investments and projected interest rates. These investment returns will provide sufficient cash flow to cover the Funds operating expenses and provide funding for the Capacity Development Program. Any excess will be reinvested to expand the Fund's credit enhancement and capacity development offerings.

Operating expenses in 2011 are anticipated to be lower than originally projected in the 2010-14 Business Plan due to a reduction in Professional and Technical Services.

Considering the public policy perspective to provide for the social welfare and civic improvement of First Nations' communities, beginning in 2008 the Fund sought a ruling from the Canada Revenue Agency (CRA) that it is a tax-exempt organization. Bolstered by legal opinions the Fund believes it has a strong argument to support its tax-exempt status. The Plan has been prepared on the premise that the Fund will not pay income taxes. Should it be considered a taxable entity, the Fund has estimated its contingent liability for tax to be \$1,740,000 at the end of the planning period.

The Fund's financial year is the calendar year. The financial statements for the planning period are as follows:

STATEMENT OF OPERATIONS \$M	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
<b>Revenue</b>								
Recognition of Deferred Contributions related to current year operations	2.325	6.638	3.759	5.439	6.602	7.470	7.847	8.038
<b>Total Revenue</b>	<b>2.325</b>	<b>6.638</b>	<b>3.759</b>	<b>5.439</b>	<b>6.602</b>	<b>7.470</b>	<b>7.847</b>	<b>8.038</b>
<b>Expenses</b>								
Administration Expenses - Start-Up	0.076	-	-	-	-	-	-	-
Administration Expenses - On-Going	2.247	3.845	3.314	3.729	3.800	3.892	4.013	4.150
Cap. Development Expenses	0.002	2.793	0.445	1.485	2.727	3.578	3.834	3.888
Claim Expenses	-	-	-	-	-	-	-	-
Evaluation Expenses	-	-	-	0.225	0.075	-	-	-
<b>Total Expenses</b>	<b>2.325</b>	<b>6.638</b>	<b>3.759</b>	<b>5.439</b>	<b>6.602</b>	<b>7.470</b>	<b>7.847</b>	<b>8.038</b>
<b>Excess of Revenue over Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

STATEMENT OF CHANGES IN DEFERRED CONTRIBUTION \$M	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
Balance, beginning of period	303.477	309.431	310.583	317.511	323.264	328.294	332.851	337.356
Contributions Received	-	-	-	-	-	-	-	-
Investment Income	9.431	9.601	10.687	11.192	11.632	12.027	12.352	12.685
Recognized as Revenue to match Expenses	(2.325)	(6.638)	(3.759)	(5.439)	(6.602)	(7.470)	(7.847)	(8.038)
<b>Total Deferred Contribution End of Period</b>	<b>310.583</b>	<b>312.394</b>	<b>317.511</b>	<b>323.264</b>	<b>328.294</b>	<b>332.851</b>	<b>337.356</b>	<b>342.003</b>

STATEMENT OF FINANCIAL POSITION \$M	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
<b>Assets</b>								
<i>Current</i>								
Cash and cash equivalents	7.958	6.222	6.324	6.439	6.541	6.632	6.722	6.814
Accrued interest receivable	1.839	1.244	1.264	1.288	1.308	1.326	1.344	1.363
	<b>9.797</b>	<b>7.466</b>	<b>7.588</b>	<b>7.727</b>	<b>7.849</b>	<b>7.958</b>	<b>8.066</b>	<b>8.177</b>
Long- term investments	301.011	304.876	309.877	315.533	320.481	324.953	329.356	333.895
Capital assets	0.272	0.233	0.227	0.165	0.105	0.070	0.064	0.061
<b>Total Assets</b>	<b>311.080</b>	<b>312.575</b>	<b>317.692</b>	<b>323.425</b>	<b>328.435</b>	<b>332.981</b>	<b>337.486</b>	<b>342.133</b>
<b>Liabilities</b>								
<i>Current</i>								
Accounts payable and accrued liabilities	0.426	0.130	0.130	0.130	0.130	0.130	0.130	0.130
	0.426	0.130	0.130	0.130	0.130	0.130	0.130	0.130
Deferred lease inducement	0.071	0.051	0.051	0.031	0.011	0.000	0.000	0.000
Deferred Contribution	310.583	312.394	317.511	323.264	328.294	332.851	337.356	342.003
<b>Total Liabilities</b>	<b>311.080</b>	<b>312.575</b>	<b>317.692</b>	<b>323.425</b>	<b>328.435</b>	<b>332.981</b>	<b>337.486</b>	<b>342.133</b>

## *Budgets*

### OPERATING BUDGET

The Operating Budget provides for Administration Expenses and the costs for Capacity Development as well as any Evaluations, Special Reports or Audits. It does not include the cost of claims under the Credit Enhancement Facility, which are projected separately in the pro forma financial statements included in the Financial Plan.

The following table summarizes the requirements for the planning horizon. More details are provided in each of the sections that follow:

OPERATING BUDGET \$	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
Administration Expenses	2,247,062	3,845,194	3,313,723	3,729,030	3,800,462	3,892,258	4,013,396	4,150,030
Capacity Development Expenses	2,500	2,792,412	445,500	1,485,000	2,727,000	3,577,500	3,834,000	3,888,000
Evaluation Costs	0	0	0	225,000	75,000	0	0	0
Administration Expense Start-Up Costs	75,528	0	0	0	0	0	0	0
<b>Total Operating Budget</b>	<b>2,325,090</b>	<b>6,637,606</b>	<b>3,759,223</b>	<b>5,439,030</b>	<b>6,602,462</b>	<b>7,469,758</b>	<b>7,847,396</b>	<b>8,038,030</b>

### Administration Expense Budget

The Administration Expense Budget provides for expenditures in connection with the management of the Fund except for payments to lenders or loan insurers for claims under the Credit Enhancement Facility, the costs of the Capacity Development Program, and the costs of evaluations and special audits.



The Administration Expenses are covered by investment income which has been recorded against the Deferred Contribution and recognized as revenue only to the extent required by the current year's expenses. As provided for in the Indenture of Trust, Administration Expenses must not exceed the total amount set out in the approved budget.

The following table provides a summary of the Administration Expense Budget requirements for the 2011-2015 planning period:

ADMINISTRATION EXPENSE BUDGET \$	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
Full-time Equivalents (FTEs)	8	11	11	11	11	11	11	11
Personnel	33,978	15,151	13,146	41,506	42,129	43,182	44,477	45,811
Non-Personnel	2,213,084	3,830,043	3,300,577	3,687,524	3,758,333	3,849,076	3,968,919	4,104,219
<b>Total Admin Expense Budget</b>	<b>2,247,062</b>	<b>3,845,194</b>	<b>3,313,723</b>	<b>3,729,030</b>	<b>3,800,462</b>	<b>3,892,258</b>	<b>4,013,396</b>	<b>4,150,030</b>

The Fund has been operating for two full years and is now in a better position to consider its business needs in terms of achieving the objectives. In 2010, the Fund continued to implement the enhanced business model to address the shortfall in First Nation applications and approvals for Credit Enhancement. This model reflected an increase to the number of visits needed to a First Nation community in order to obtain, review and assess an application. Additionally, a post-approval visit and an annual visit to permit the on-going monitoring and evaluation to ensure compliance with the Fund's agreement with the First Nation is part of the process. Additional trips were also added in order to reflect the Fund's relationship with lenders approved to participate in the Fund's offerings. As a result, the Fund's Transportation budget increased significantly.

The 2011 Marketing and Promotion budget includes an expansion of the number of national and regional conferences and tradeshow to be attended by Fund staff. Attendance at these events provides excellent visibility for the Fund and the opportunity to speak with First Nation leadership, staff and individuals. These events also present opportunities for Fund staff to liaise with First Nation representatives from communities implementing market-based housing and support their needs through advice and guidance.

Given the Fund is still in the early stages of its business cycle, it is important that money be directed to help the Fund become known to a variety of target audiences, including First Nation leadership, administrators and potential member borrowers. The Marketing and Promotion budget also provides for the on-going production of collateral and web site development and updates.

### Capacity Development Budget

The purpose of the Capacity Development Program is to provide support for First Nation communities to assist them in qualifying under the Credit Enhancement Facility. It will also help strengthen those who do qualify to ensure that they have the needed foundation to sustain market-based housing.

The Funding Agreement sets out the amount of resources available for Capacity Development, and this amount is to be specified in the annual Business Plan. The total amount is not to exceed 50% of the immediately preceding year's net income (defined as investment and other income less any expenses incurred during the year). Where the Fund expends less than the total maximum amount available in a given year, the Fund can carry forward unexpended amounts to future years. Cumulative carried-forward amounts will be in addition to the maximum total amount otherwise permitted. The plan reflects the reprofiling of available Capacity Development funding in 2010 to 2011 as the program continues to ramp up.

The budget provides for fees paid to external contactors in the delivery of the capacity development activities in First Nation communities.

CAPACITY DEVELOPMENT BUDGET \$	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
Planned Funding Available from each year	1,547,000	2,976,984	3,553,067	3,463,889	2,876,485	2,514,769	2,278,621	2,252,802
Planned Expenditures	2,500	2,792,412	445,500	1,485,000	2,727,000	3,577,500	3,834,000	3,888,000
Planned Cumulative Unexpended Amounts at End of Year	5,289,127	5,473,699	8,396,694	10,375,583	10,525,068	9,462,337	7,906,958	6,271,760

## Evaluation Expense Budget

Beginning in 2011, the CMHC Minister will carry out, at the cost of the Fund, an evaluation of the Fund and its performance and management. The cost is estimated at \$300,000 and profiled over two years. While it is anticipated that the bulk of the work will be completed and paid for in 2011, it is envisioned that the writing of the evaluation report will occur in the early part of 2012.

## CAPITAL BUDGET

The Capital Budget for furniture, equipment and business premises provides for the acquisition and replacement of assets and the fit-up of office space.

CAPITAL BUDGET \$	2009 Actual	2010 Approved Plan	2010 Updated Plan	2011	2012	2013	2014	2015
Furniture and Equipment	0	0	25,000	5,000	5,000	5,000	5,000	5,000
Leasehold Improvements	0	25,000	0	0	0	0	0	0
<b>Total Capital Budget</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>



Tel. 1-866-582-2808  
Fax 613-740-9932  
1420 Blair Place, Suite 510  
Ottawa, ON K1J 9L8

[www.fnmhf.ca](http://www.fnmhf.ca)