

# Funding Programs Guide

## Aquaculture Sector



December 2017

# A Commitment to Grow Aquaculture

As part of The Way Forward, the Newfoundland Aquaculture Industry Association and the Government of Newfoundland and Labrador have partnered to strengthen the aquaculture industry, support economic growth and foster job creation in the province. To achieve these objectives, the Provincial Government and industry have jointly developed an Aquaculture Sector Work Plan, which was released at the provincial Aquaculture Industry Summit on September 26, 2017 in Gander, NL. The Government of Newfoundland and Labrador will regularly update this guide to ensure any modifications to programs and their criteria are reflected.

The Quick Overview section outlines at a high level what programs are offered to the aquaculture sector, and the Program Details section provides additional information.

## Funding Programs for Aquaculture: Quick Overview

### Atlantic Canada Opportunities Agency (ACOA)

[www.acoa-apeca.gc.ca/eng/ImLookingFor/ProgramInformation/Pages/Home.aspx](http://www.acoa-apeca.gc.ca/eng/ImLookingFor/ProgramInformation/Pages/Home.aspx)

### Atlantic Innovation Fund (AIF): Loan/Grant

Projects must be in the \$500,000 to \$3 million range. Contributions to the private sector are conditionally repayable based on the commercial success of a project. Contributions to not-for-profit organizations are non-repayable.

### Business Development Program (BDP): Loan

Interest-free loans provide up to 50 per cent of the eligible start-up, up to \$500,000, working capital and capital costs of a new establishment, modernization or expansion project.

### Innovative Communities Fund: Grant

Assistance is non-repayable. The amount provided to each individual project will be determined by an assessment of the level of funding necessary to allow the project to proceed.

### Tourism, Culture, Industry and Innovation (TCII)

[www.tcii.gov.nl.ca/programs/index.html](http://www.tcii.gov.nl.ca/programs/index.html)

Recognizing there is a need to improve integration of funding provided by multiple departments and agencies to businesses, the Government of Newfoundland and Labrador is currently completing a review of business financing. Programs provided may be subject to change.

### Regional Development Fund: Grant

A non-repayable contribution, normally to a maximum contribution of 25 per cent of total eligible costs. The client should normally contribute a minimum of ten per cent of the total project cost.

### Business Investment Program: Loan

Repayable term loans to a maximum amount of \$500,000 per government fiscal year at the department's base rate of three per cent. Equity funding in the form of redeemable preferred shares to a maximum of \$500,000 per project, with a maximum aggregate of \$1 million, is available.

## **Business Development Support Program: Grant**

Non-repayable contribution(s) to a maximum amount of \$100,000 per government fiscal year.

## **Fisheries and Land Resources (FLR)**

[www.fishaq.gov.nl.ca/aquaculture/programs.html](http://www.fishaq.gov.nl.ca/aquaculture/programs.html)

Recognizing there is a need to improve integration of funding provided by multiple departments and agencies to businesses, the Government of Newfoundland and Labrador is currently completing a review of business financing. Programs provided may be subject to change.

## **Aquaculture Working Capital Loan Guarantee Program**

Non-cash loan guarantee program that provides an 80 per cent loan guarantee to lenders, after the lender has realized on its security. There is no cash outlay for this program unless a company defaults on its loan.

## **Aquaculture Capital Equity Program**

A minimum equity investment to projects of \$250,000 for finfish operations and \$100,000 for shellfish to match a private sector cash investment. The form of government's investment will mirror that of the applicant, with all rights of the applicant except the right to vote. The preferred form of investment will be by way of a separate class of common shares with rights as above.

## **Farm Credit Canada**

[www.fcc-fac.ca/en/we-finance/agribusiness-agri-food.html](http://www.fcc-fac.ca/en/we-finance/agribusiness-agri-food.html)

## **Real Property Loans**

FCC offers several types of real property loans including:

- Variable – FCC's best variable mortgage interest rate that includes a 10% pre-payment privilege and the option to convert to a fixed interest rate;
- Open – a variable mortgage interest rate with full prepayment privilege and the option to convert to a fixed interest rate;
- Fixed Closed – low mortgage rate that is fixed for the term of the loan; and,
- Fixed Rate – low mortgage rate that is fixed for the term of the loan with a 10% prepayment option included.

## **Personal Property Loans**

FCC offers several types of personal property loans including:

- Variable – FCC's best variable personal property rate (prepay any amount at any time and convert to a fixed rate at your discretion);
- Open Rate – low rate fixed for the term of your personal property loan with the benefit of prepayment without penalty; and,
- Closed Rate – FCC's lowest rates fixed for the term of your personal property loan.

## **Loans Through a Crop Retailer, Livestock Supplier or Equipment Dealer**

FCC offers loans through:

- Crop Inputs – draw against your pre-approved loan at any time and schedule payments around your cash flow;
- Feeder Cattle and Breeding Livestock – purchase through a participating livestock supplier and get customized financing with faster equity realization and no prepayment penalties;
- Equipment Financing – when you buy new or used farm equipment and finance through a participating equipment dealer, you'll work with

- people who know the industry; and,
- Equipment Leasing – lease new or used equipment at participating dealerships, plus benefit from less money up front, lower payments and increased flexibility.

## Feature-specific Loans

FCC offers various feature-specific loans, including:

- Interest-only Payments
  - 1-2-3 Grow – manage your cash flow with interest-only payments until you get a return on your investment.
  - Cash Flow Optimizer – make interest-only payments while re-investing funds into other areas of your operation, giving you the control to make principal payments when you choose.
- Deferred Payments
  - Flexi-Loan – defer principal payments for up to one year to take advantage of opportunities or ease cash flow during adverse conditions.
  - Start Now – Pay Later – better manage your cash flow with deferred payments while getting your operation up and running.
- Extended Disbursement
  - Capacity Builder – purchase quota or breeding livestock with pre-approved financing for up to 18 months and the option to capitalize interest.
  - Construction – defer your principal payments while you build or expand, with interim financing for up to 18 months on construction projects.
  - Enviro-Loan – defer principal payments while constructing, improving or expanding your operation when you improve environmental facilities.
  - Transition Loan – special payment options that benefit both the buyer and seller in a farm transfer.
- Credit Lines
  - Advancer – use this pre-approved, secured loan with the flexibility to re-advance funds at your discretion for capital asset purchases.

- FCC Credit Line – keep your day-to-day operations running smoothly with this revolving, pre-approved loan you can access any time to finance your short term operating costs.
- Niche Loans
  - Young Farmer – a loan for farmers under 40 to purchase ag-related assets up to \$1 million.
  - Young Entrepreneur – a loan for young entrepreneurs under 40 to finance new or existing ag-related businesses up to \$1 million.
  - Performer – get rewarded with lower interest rates when your business achieves pre-set financial goals and ratios.
  - Spring Break – customize your payment schedule to match your irregular cash flow.
  - Energy – convert to renewable energy sources, specifically biogas, geo-thermal, wind or solar power.
  - American Currency – if you derive a lot of your revenue in U.S. dollars, you can borrow and make payments in U.S. dollars.

## Program Details

### Atlantic Canada Opportunities Agency (ACOA)

[www.acoa-apeca.gc.ca/eng/ImLookingFor/ProgramInformation/Pages/Home.aspx](http://www.acoa-apeca.gc.ca/eng/ImLookingFor/ProgramInformation/Pages/Home.aspx)

### Atlantic Innovation Fund (AIF):

The AIF encourages partnerships among private sector firms, universities, colleges and other research institutions to develop and commercialize new or improved products and services. Projects must be in the \$500,000 and \$3 million range. Contributions to the private sector are conditionally repayable based on the commercial success of a project. Contributions to not-for-profit organizations are non-repayable. The AIF can provide assistance of up to 80 per cent of total eligible costs for projects led by not-for-profit organizations and up to 75 per cent of total eligible costs for private-

sector-led projects. It should be noted that the AIF assistance for eligible building and major renovation costs would not normally exceed 30 per cent of the costs.

Eligible applicants include private-sector businesses, universities, colleges, non-government research organizations and provincial Crown corporations operating in Atlantic Canada. The AIF supports projects in the area of natural and applied sciences, as well as in social sciences, humanities, arts and culture, that lead to the successful development and commercialization of technology-based products, processes or services. The program also helps businesses work with researchers to adapt existing technology when it is new to the market and there is technical development required to successfully integrate the technology into the company's operations. To be eligible under the AIF, a project must involve an R&D component with a strong potential for commercialization.

**Eligible activities may include:**

- R&D projects that are linked to economic development in areas that are of strategic importance to the region;
- technology adaptation projects related to production improvements, such as the adaptation of an existing production technology to be used in a non-traditional manner, allowing a firm to produce a product or service less expensively, faster and/or with enhanced productivity and competitiveness; and
- related initiatives that emphasize building the Atlantic system of innovation, including those components that bridge the gap between research institutions and the marketplace, and that encourage collaboration among the various components of this system through partnerships, alliances and networks. services.

**To be considered under the AIF, projects must meet the following criteria:**

- be compatible with the AIF objectives;
- be scientifically and/or technically sound;
- demonstrate management capability to successfully undertake the project;
- demonstrate significant economic benefits for Atlantic Canada;

- demonstrate the commercialization potential of the project;
- support new or improved technologies or new applications of technologies;
- have adequate financing for the duration of the project;
- be incremental; and,
- support one or more strategic sectors or technologies.

While not an absolute requirement, the AIF will favour projects with a combination of the following desirable criteria:

- includes private-sector participation (for institutional proposals);
- fills a gap in the Atlantic system of innovation;
- improves the innovation capacity of the private sector;
- is pan-Atlantic in scope;
- builds critical mass through networks or co-operation of existing or additional talent (researchers);
- leverages funding from other public- and private-sector sources;
- attracts new firms, institutions and researchers to Atlantic Canada;
- builds on research excellence; and,
- fosters national and international affiliations.

## **Business Development Program (BDP)**

The BDP can help you set up, expand or modernize your business. It can also provide funding to develop your innovative ideas, improve your competitiveness, and develop your clean technology projects. Focusing on small- and medium- sized enterprises, this program offers repayable assistance. Non-profit organizations providing support to the business community may also qualify. ACOA's interest-free repayable assistance can help cover up to 50 per cent of the eligible start-up, up to \$500,000, working capital and capital costs of a new establishment, modernization or expansion project. Related operational costs for activities such as training, studies, marketing/trade, productivity improvement, quality assurance and environmental management systems may be eligible for up to 75 per cent financing. Assistance is repayable on a schedule tailored to your circumstances.

**Eligible activities include:**

- Buildings
- Leasehold
- Machinery and equipment
- Product development costs
- Infrastructure
- Intangible assets (i.e., patents, trademarks)
- Self-built assets
- Start-up costs
- Working capital

**Innovative Communities Fund**

The Innovative Communities Fund (ICF) invests in strategic projects that build the economies of Atlantic Canada's communities.

Working in partnership with Atlantic communities and stakeholders, ICF builds on the strengths of communities and provides the tools needed to identify opportunities available for their sustainable economic growth.

ICF focuses on investments that lead to long-term employment and economic capacity building in rural communities. Urban initiatives that stimulate the competitiveness and vitality of rural communities may be considered on a selective basis.

**Tourism, Culture, Industry and Innovation (TCII)**

[www.tcii.gov.nl.ca/programs/index.html](http://www.tcii.gov.nl.ca/programs/index.html)

Recognizing there is a need to improve integration of funding provided by multiple departments and agencies to businesses, the Government of Newfoundland and Labrador is currently completing a review of business financing. Programs provided may be subject to change.

**Regional Development Fund**

The Tourism, Culture, Industry and Innovation provides support to organizations by way of non-repayable contributions for projects aimed at supporting economic development, innovation and capacity building in all regions of the province.

The Regional Development Fund is comprised of two components: the Regional Development Program and Community Capacity Building. The Regional Development Program provides support by way of non-repayable contributions to organizations for the development and implementation of economic initiatives with respect to regional and sectoral development, diversification, innovation, and key emerging sectors. Projects submitted for consideration must clearly link non-commercial activities to economic diversification and/or business development. The four key themes of projects intended for funding are: infrastructure; capacity building; marketing; and, research.

The Community Capacity Building component provides training support to non-profit organizations with a clear link to economic and business development. This includes Community Capacity Building module delivery and industry development sessions, based on four themes (strategy and planning, relationship building, organizational skills and management, and co-operative development).

Under the Regional Development Program, financial assistance is in the form of a non-repayable contribution, normally to a maximum contribution of 25 per cent of total eligible costs. The client should normally contribute a minimum of ten per cent of the total project cost.

Under the Community Capacity Building component, financial assistance is in the form of a non-repayable contribution, normally to a maximum of \$5,000 for regional organizations and \$10,000 for provincial organizations per year.

Eligible applicants are non-profit organizations, excluding federal and provincial government departments and agencies. Applicants include industry associations, municipalities, public educational institutions, and other non-profit groups including co-operatives and economic development organizations. Applicants must be incorporated.

## Business Investment Fund

The Tourism, Culture, Industry and Innovation (TCII) recognizes business and sector development as the key to economic development. The Business Investment Fund provides a source of funding to business and economic sectors that responds to the changing needs of enterprises. The Business Investment Fund is comprised of two components: the Business Investment Program and the Business Development Support Program.

### Business Investment Program

The Business Investment Program provides term loans and equity investments to small and medium-sized enterprises in strategic growth sectors as identified by TCII. The fund is also available to businesses which have export potential and require assistance to enter or expand in external markets. Funds are provided to complement funding from conventional sources, where a need has been demonstrated, and are also intended to increase the capital base of businesses allowing them to leverage new private-sector investments.

### Business Development Support Program

The Business Development Support Program assists Newfoundland and Labrador SMEs with opportunities to increase their productivity and improve their competitiveness. The program supports SMEs who demonstrate a desire to develop and grow by improving the operations of the business, investing in its people, and focusing on trade opportunities. TCII assistance will be targeted towards businesses in strategic sectors that normally focus on export markets and/or improve import substitution. Funding is available for productivity improvements, knowledge development, market development and/or professional technical advice.

The Business Investment Program is in the form of repayable term loans to a maximum amount

of \$500,000 per government fiscal year at the department's base rate of three per cent.

Equity funding in the form of redeemable preferred shares to a maximum of \$500,000 per project; maximum aggregate of \$1 million is available.

The Business Development Support Program is in the form of a non-repayable contribution(s) to a maximum amount of \$100,000 per government fiscal year. The contribution level will be up to 50 per cent of eligible costs, with the business identifying their access to the remaining funding to complete the project(s).

#### Eligible applicants must normally:

- Be a small and medium-sized enterprise based and operating in Newfoundland and Labrador having fewer than 100 employees and less than \$10 million in sales.
- Demonstrate its ability to undertake the work identified in the project proposal.
- Demonstrate its ability to access the financial capital required to complete the project.
- Operate in a strategic sector as defined by TCII.
- Be in good standing with the Government of Newfoundland and Labrador.

### Investment Attraction Fund

The Investment Attraction Fund ("Fund") is designed to attract large-scale businesses and foreign direct investment ("FDI") to the Province of Newfoundland and Labrador ("the province"). It provides customized financial assistance to inward investors in support of establishing a business in the province or expanding a business as a result of FDI. The Fund consists of an allocation for loans and advances towards strategic investments in infrastructure support costs, human resource costs or other costs, as determined by the Tourism, Culture, Industry and Innovation.

For the purpose of this Fund, inward investment includes investments in start-up or expansion activated by investors external to the province. The investment may be in the form of equity or loans. Inward investments

require a direct contribution of funds by the inward investor in addition to any potential funding that may be sourced from the Government of Canada, commercial lending institutions and/or venture capital firms.

**To be eligible for funding, the business must:**

- Be a duly registered company or commit to taking the necessary steps to become a registered company under the Newfoundland and Labrador Corporations Act and/or the Canada Business Corporations Act and legally entitled to conduct business in the Province;
- Have or commit to have operations situated in the Province;
- Be in good standing with the Province.
- The business plan must also demonstrate that the project:
- Would not proceed without the requested funding support;
- Be a result of inward investment;
- Has the potential for long-term sustainability;
- Will create employment; and,
- Can bring economic benefit to the Province considering funding provided to the investor from all provincial government sources.

Proposals for funding under the Investment Attraction Fund must be accompanied by a detailed business plan which will generally include the following information:

- Business overview;
- Ownership and management plan;
- Human resources plan;
- Manufacturing and/or operations plan;
- Marketing and promotional plan;
- Capital plan; and,
- Financial plan.

## **Fisheries and Land Resources (FLR)**

[www.fishaq.gov.nl.ca/aquaculture/programs.html](http://www.fishaq.gov.nl.ca/aquaculture/programs.html)

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## **Aquaculture Working Capital Loan Guarantee Program**

The objective of the program is to assist in increasing production of commercial aquaculture products in the province, from both hatcheries and marine sites, thereby increasing employment and spin-off opportunities in the processing, manufacturing, supply and service sectors, primarily in rural Newfoundland and Labrador.

The Program will provide a minimum investment to projects of \$250,000 for finfish operations and \$100,000 for shellfish to match a private sector cash investment. The private sector investment, in the form of cash, must be verified by way of auditor's or solicitor's certificate indicating that the applicant's investment has been made concurrent with that of government. The form of government's investment will mirror that of the applicant, with all rights of the applicant except the right to vote. The preferred form of investment will be by way of a separate class of common shares with rights as above. Government and the applicant will enter into a Unanimous Shareholders Agreement which will include all normal covenants and possibly a conversion right for government if conditions of the Agreement are not adhered to by the applicant, along with redemption privileges for government's investment.

At the discretion of government, consideration of an application for an Aquaculture Capital Incentive shall be given to an incorporated enterprise operating in or proposing to operate in the finfish or shellfish industry (the "applicant") which meets the following criteria:

- The applicant must be currently involved or proposing to become involved in the commercial scale production of shellfish or finfish at a Newfoundland and Labrador site licensed and approved by the Fisheries and Aquaculture.
- The applicant must provide a business plan which includes information as requested by government in the Business Plan Guidelines.
- The applicant must clearly demonstrate, through its business plan a strong potential



for sustainable employment opportunities, incremental production and increased sales, and long-term commercial viability.

- The applicant must clearly demonstrate, to the satisfaction of government, a definite need for government financial assistance by way of an equity investment; that the equity investment is complementary to and levers to the maximum extent possible other sources of financing; and that the project could not proceed on a commercially viable basis without government participation.
- The applicant must have all necessary licenses and regulatory approvals, to the satisfaction of government.
- The applicant must be in good financial and legal standing with government.
- The applicant must clearly demonstrate that management has the required technical, financial, marketing and managerial expertise for the operation of a commercial-scale aquaculture enterprise.
- The applicant, if an existing operator, must have at the date of application a minimum private sector equity position equivalent to 20 per cent of the total assets, evidenced by externally prepared (minimum review engagement) financial statements for the last fiscal year, updated to the date of application if requested by government. If the enterprise is a new operation, the applicant must have a private sector equity investment equivalent to 20 per cent of total program costs.

## **Aquaculture Capital Equity Program**

The objective of the program is to assist in increasing production of commercial aquaculture products in the province, from both hatcheries and marine sites, thereby increasing employment and spin-off opportunities in the processing, manufacturing, supply and service sectors, primarily in rural Newfoundland and Labrador.

At the discretion of government, consideration of an application for an Aquaculture Working Capital Loan Guarantee Program shall be given to an incorporated enterprise operating in or proposing to operate in the finfish industry (the

“applicant”) which meets the following criteria:

- The applicant must be currently involved or proposing to become involved in the commercial scale production of finfish at a Newfoundland and Labrador site licensed and approved by the Fisheries and Aquaculture.
- The applicant must provide a business plan which includes information as requested by government in the Business Plan Guidelines.
- The applicant must clearly demonstrate, through its business plan a strong potential for sustainable employment opportunities, incremental production and increased sales, and long-term commercial viability.
- The applicant must clearly demonstrate, to the satisfaction of government, a definite need for government financial assistance by way of an equity investment; that the equity investment is complementary to and levers to the maximum extent possible other sources of financing; and that the project could not proceed on a commercially viable basis without government participation.
- The applicant must have all necessary licenses and regulatory approvals, to the satisfaction of government.
- The applicant must be in good financial and legal standing with government.
- The applicant must clearly demonstrate that management has the required technical, financial, marketing and managerial expertise for the operation of a commercial-scale aquaculture enterprise.
- The applicant, if an existing operator, must have at the date of application a minimum private sector equity position equivalent to 20 per cent of the total assets, evidenced by externally prepared (minimum review engagement) financial statements for the last fiscal year, updated to the date of application if requested by government. If the enterprise is a new operation, the applicant must have a private sector equity investment equivalent to 20 per cent of total program costs.
- Participation in the proposed program would not preclude consideration under the Aquaculture Capital Investment Program.

## Farm Credit Canada (FCC) Financing

[www.fcc-fac.ca/en/we-finance/agribusiness-agri-food.html](http://www.fcc-fac.ca/en/we-finance/agribusiness-agri-food.html)

One-size-fits-all does not fit for business. FCC offers term and cash flow financing and venture capital options and will take the time to build financing solutions that match your business plan.

### How FCC Makes Lending Decisions:

There's a lot to consider in a loan application. Here are the top three things that affect FCC's decision process.

#### **Prior credit history**

FCC looks at your character, experience and how you and your business have performed in the past. This includes: assessing your planning and financial skills, determining your credit rating with an Equifax report confirming your personal and business integrity with a Customer Declaration

#### **Repayment ability**

FCC reviews your past and projected financial performance and any off-the-farm income to improve the likelihood of loans being repaid. Your past performance is a good indicator of how you'll perform in the future

#### **Security**

To ensure your loan is covered, FCC considers your collateral as your secondary source of payment. They assess the value of the provided security and any commitment to other lenders.

## How to Apply for an FCC Loan:

- Contact a Financial Services Representative
  - A Financial Services Representative can process most personal property-type loans like livestock or equipment over the phone. The amount of information you'll be asked to provide will depend on the size and type of loan you're looking for. Call 1-888-332-3301 or email an FCC Financial Services Representative for more information.
- Talk to your Relationship Manager
  - Your local Relationship Manager can help you with all loan types. Call 1-888-332-3301 or find an FCC office near you to set up an appointment.
- Loan Checklist
  - Have these items ready before you meet with your Relationship Manager
  - net worth statement
  - past income tax returns and/or accountant prepared financial statements
  - government issued photo identification
  - recent pay stub or written employer verification (if some of your income is generated off-farm)