



AQUACULTURE CAPITAL EQUITY PROGRAM

Program Objective

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.

Amount and Form of Investments

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.

Eligibility Criteria

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 Department of 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% 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% of total program costs.



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- Participation in the proposed program would not preclude consideration under the Aquaculture Working Capital Loan Guarantee Initiative.

BUSINESS PLAN GUIDELINES

The Business Plan must include, but will not be limited to, the following, at the discretion of Government:

Ownership

- Complete list of shareholders indicating the percentage and value of shares.
- Personal Net worth Statements of all major shareholders (Matrimonial assets to be identified).
- If major shareholder is a corporate entity, auditor prepared financial statements for the past 3 years and identification of shareholders.
- Listing of any other business with which the shareholders are associated and
- a declaration of any debts present or past owing to Government, including any amounts written off or forgiven by Government.
- Management
- Resumes of all principal members of management.
- Confirmation of key persons insurance may be required.
- Confirmation of employment status (i.e. employee/ contract employee/ consultant etc.).
- Marketing
- Marketing arrangements.
- Major customers/percentage of total sales.

Financial

- Auditor-prepared financial statements for the past 3 years of operations, if the applicant is an existing operation.
- Pro Forma Income Statements and Balance Sheets on a monthly basis for the first year, and on an annual basis for the next 4 years, including all assumptions.
- Projected Monthly Cash Flow Statements for the first 5 years of operations, including all assumptions.

- Complete listing of all assets owned or to be acquired by the company as part of the project by the company (serial numbers to be available upon request) where appropriate and copies of all agreements pledging specific assets.
- Details of any outstanding lawsuits/liens/disputes.
- Banking/Funding Arrangements.
- Permission for Government representatives to contact Applicant's bank and/or other funding agencies.

Technical

- Production plan to cover a five year period, which will include:
 - site locations and license numbers
 - stocking plan with timing and numbers of fish
 - size of fish (starting and end weights)
 - growth projections with temperature profiles
 - feed schedule
 - site rotational strategy
- source of fish (with confirmation of contract with that company)
- Projected capital expenditures for same period as cash flows, including equipment and facilities: equipment (cages, nets, boats, barges) - amount, size, and cost
- facilities (wharf, accommodations)
- Harvesting / Marketing/ Processing Plan

Other

Any other information deemed necessary, at the discretion of Government. For further information please contact:

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