

Guidelines and Eligibility Criteria



Business Attraction Fund (BAF)

The Business Attraction Fund (Fund) is designed to attract large scale businesses to the Province of Newfoundland and Labrador (“the province”). It provides customized financial assistance to inward investors in support of start up or business expansion. The Fund consists of a \$25 million allocation for loans, advances or investments as well as a \$4 million allocation for non-repayable contributions towards strategic investments in infrastructure support costs, human resource costs or other costs, as determined by the Department of Business (“the Department”), that would promote a business friendly environment and improve the ability to attract inward investment to the Province.

Proposals for assistance under this Fund will be subject to assessment by the Department and will not necessarily be accepted or approved.

For the purpose of this Fund, inward investment includes investments in start up or expansion activities 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 a result of inward investment, and
- be in good standing with the Province.

The business plan must also demonstrate that the project:

- is necessary to attract an identified investment opportunity,
- 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.

The amount of funding allocated to any one project will vary based on the nature and scope of the project and the negotiated terms and conditions. All funding offers are subject to the availability of program funds. Allocations under the Fund must be used against costs of the Newfoundland and Labrador operations and any infrastructure developed through use of the funds must remain in the Province. Funds are not permitted to be used for debt restructuring or the retirement of shareholders loans or investments.

There is a requirement under these guidelines for the inward investor to commit financial resources to the project under all funding options available under the Fund. The amount of investment required from an investor will vary and be dependent on the overall project assessment and the negotiated terms and conditions but must demonstrate the company's commitment to the project.

Approval for disbursements under the Fund will be subject to a contract being duly executed and compliance with the underlying terms and conditions. Timing for disbursement of funds will be in accordance with the terms of the transaction negotiated with the client.

In accordance with the terms and conditions of the negotiated transaction, the Department will require an audited statement of expenses and/or full audited financial statements to be prepared by an independent external auditor.

Proposals for funding under the Business 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
- Financial Plan

The Department reserves the right to request additional information required during the assessment process in order to fully evaluate the project.

EQUITY INVESTMENTS

Equity investments will normally take the form of, but are not limited to, a share purchase arrangement. Flexibility is available to consider other options that may, as determined by the Department, facilitate the conclusion of an investment transaction. Equity funding may be provided with rights and conditions determined in accordance with a business plan and as set forth in a unanimous shareholders agreement.

The amount of investment required by an investor will vary and be dependent on the overall project assessment and the negotiated terms and conditions. The applicant's investment and net equity position is defined as the aggregate total of share capital, subordinated shareholders' loans, and retained earnings (deficit), and receivables from shareholders and/or associated companies. Other forms of equity can only be considered if it is reflected in the company's balance sheet in accordance with generally accepted accounting principles. Equity funding is available for flexible time periods based on individual enterprise needs, prospects, and capabilities as assessed by the Department.

Equity investments will normally be negotiated with the following parameters.

- A separate class of non-voting, preferred or common shares to be created with agreed upon terms and conditions/restrictive covenants attached to the share class.
- Number of shares to be determined based on the total approved funding allocation and the issue price negotiated with the client.
- Callable features (retractable or redeemable options) may be attached to the shares with price and dividend payout to form a part of the negotiated terms and conditions of the transaction. Time periods for the callable features are also subject to negotiation in an effort to provide the investor with a level of certainty with respect to the duration of the investment.
- Amount and timing of dividends are to be negotiated as part of the terms and conditions of the investment transaction.
- The Department, at its discretion, will negotiate with the investor for the option to convert its investment to voting shares or debt.
- Level of security required to support the investment will form part of the negotiated terms and conditions.
- Exit provisions will be determined in accordance with negotiated terms and conditions.
- The equity transaction must be supported by a unanimous shareholders agreement and will incorporate, in addition to the features discussed above, other provisions as deemed appropriate by the Department.

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