

A scenic view of an aquaculture farm in a fjord. The water is a deep blue, and the surrounding hills are covered in dense green forest. In the foreground, the black metal frame and green ropes of a floating net pen are visible. Two other similar structures are seen in the distance.

Aquaculture Capital Equity Program Policy and Procedures Manual

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1.0 Introduction

1.1 Authority

Approval to establish the Aquaculture Capital Equity Program (ACEP) was granted to the Department of Fisheries and Aquaculture (currently Fisheries, Forestry and Agriculture (FFA)) in 2006.

1.2 Program Purpose and Objective

ACEP was established to stimulate growth in the Newfoundland and Labrador aquaculture industry, through providing equity financing of capital expenditures to both new and existing Newfoundland and Labrador companies, and to companies located elsewhere, looking to expand into the province.

The objective of ACEP is to assist in increasing the production of commercial aquaculture products in the province, from both hatcheries and marine sites, thereby increasing economic benefits, both directly and indirectly, through employment and spin-off opportunities in the processing, manufacturing and supply and service sectors.

2.0 Roles and Responsibilities

2.1 Role of Cabinet

- Approves objectives and eligibility criteria for the program;
- Approves or rejects requests to change ACEP objectives or eligibility criteria;
- Receives and reviews recommendations from the Minister of Fisheries, Forestry and Agriculture for each application;
- Makes final decision to approve or reject each application;
- Determines the amount of funding to be provided for each approved application;
- Maintains the authority to define terms and conditions for each approved application; and
- Approves or rejects requests to change terms and conditions for a project.

2.2 Role of Minister of Fisheries, Forestry and Agriculture

- Receives and reviews recommendations from the Deputy Minister for each application;
- Recommends approval or rejection of each application;
- Reviews requests to change ACEP objectives, eligibility criteria, or terms and conditions for a project, from the Deputy Minister; and
- Maintains signing authority for all legal agreements related to approved projects.

2.3 Role of Deputy Minister of Fisheries, Forestry and Agriculture

- Receives and reviews recommendation from the Assistant Deputy Minister - Fisheries and Aquaculture for each application;
- Recommends approval or rejection of each application to the Minister;
- Reviews requests to change ACEP objectives, eligibility criteria, or terms and conditions for a project, from the Assistant Deputy Minister - Fisheries and Aquaculture;
- Supports or rejects requests to change ACEP objectives, eligibility criteria, or terms and conditions for a project; and
- Forwards supported requests to change program objectives, eligibility criteria, or terms and conditions for a project, to the Minister for review.

2.4 Role of Assistant Deputy Minister – Fisheries and Aquaculture

- Oversees ACEP;
- Receives and reviews recommendation from the Director of Aquaculture Development for each application;
- Recommends approval or rejection of each application to the Deputy Minister;

- Receives and reviews requests to change ACEP objectives, eligibility criteria, or terms and conditions for a project, from the Director of Aquaculture Development;
- Supports or rejects requests to change ACEP objectives or eligibility criteria, or terms and conditions for a project; and
- Forwards supported requests to change ACEP objectives, eligibility criteria, or terms and conditions for a project, to the Deputy Minister for review.

2.5 Role of Director of Aquaculture Development

- Manages the daily operation of ACEP;
- Receives applications and proposals from proponents and delegates proposal analysis work to various staff members (Regional Aquaculture Manager, Aquaculture Financial Analyst, and Aquaculture Development Officer);
- Chairs the Evaluation Committee;
- Forwards each applicant's proposal to counterparts in the Department of Finance and the Department of Industry, Energy and Technology for financial analysis;
- Submits an analysis for each application to the Assistant Deputy Minister - Fisheries and Aquaculture;
- Coordinates the preparation and execution of all legal documents with the Departmental Solicitor, Department of Justice and Public Safety;
- Receives claims for payment and assigns to staff for review to ensure compliance with terms and conditions of contract;
- Recommends approval of payment for claims, upon review by staff;
- Liaises with proponents, Industry, Energy and Technology and Finance to address issues;
- Ensures project monitoring is carried out through site visits and receipt and review of financial statements conducted by appropriate staff; and
- Arranges preparation of an ACEP project status report and submits same to the Assistant Deputy Minister - Fisheries and Aquaculture, on a quarterly basis.

2.6 Role of Evaluation Committee

- The Evaluation Committee consists of representatives from the Department of Fisheries, Forestry and Agriculture, Department of Finance and Department of Industry, Energy and Technology.
- Representatives from the Department of Fisheries, Forestry and Agriculture include the Director of Aquaculture Development (Chair), the Aquaculture Regional Manager, and the Aquaculture Financial Analyst.
- The Evaluation Committee reviews, analyzes and discusses each ACEP application/proposal;
- The Evaluation Committee conveys concerns regarding any potential impact of the proposal on government, in general, or on any departments, in particular; and

- The Evaluation Committee provides input into the preparation of legal agreements for approved investments.

2.7 Role of Aquaculture Financial Analyst

- Reviews and summarizes financial analyses of proposals completed by the Department of Industry, Energy and Technology and the Department of Finance;
- Completes a checklist of conditions, documentation required, and associated submission deadlines, repayment/redemption schedules, and any other commitments contained in related agreements for each project;
- Monitors compliance of each project proponent with all agreements executed, maintains all related documentation, electronic and print, and tracks both using the checklist described above;
- Reviews financial statements for each project to ensure compliance with terms and conditions of related agreements;
- Reviews claim requests for each project to ensure compliance and completeness;
- Prepares payment requests for each project and submits same for electronic approval;
- Liaises with representatives of project proponents, as required, to obtain financial documentation required under the related agreements.

2.8 Role of Departmental Solicitor, Department of Justice and Public Safety

- Prepares all legal documents associated with each project, provides legal advice as required during implementation; and
- Liaises with a proponent's solicitor on behalf of the Department of Fisheries, Forestry and Agriculture for each project.

3.0 Program Eligibility Criteria

Only applications that meet the criteria listed below will be considered for funding. Eligibility does not guarantee application approval.

The following criteria constitute the minimum requirements that must be met by an applicant to qualify for funding approval under ACEP:

- Currently produces or proposes to produce shellfish or finfish, on a commercial scale, at a licenced marine aquaculture site or hatchery in Newfoundland and Labrador;
- Demonstrates the ability to match the investment amount being requested from government, with a cash outlay of at least \$100,000 for shellfish projects and \$250,000 for finfish projects;
- Submits an acceptable business plan which includes information outlined in the Business Plan Guidelines (see Appendix A - Program Brochure);
- Demonstrates strong potential for long-term commercial viability, reflected by sustained employment opportunities, significant production growth projections, and increased sales projections;
- Demonstrates a need for government assistance which is complementary to, and levers to the maximum extent possible, other sources of financing;
- Possesses all necessary licences and regulatory approvals required to carry out the proposed work;
- Is in good financial and legal standing with government;
- Demonstrates possession of the technical, financial, marketing and managerial expertise required to operate a commercial-scale aquaculture enterprise;
- If an existing aquaculture operation, has at the date of application, a minimum private sector equity position equivalent to 20 per cent of total assets, evidenced by externally-prepared (minimum review engagement) financial statements for the most recent fiscal year (updated to the date of application, at the discretion of government); and/or
- If a new aquaculture operation, has a private sector equity investment amount equivalent to 20 per cent of total program cost.

4.0 Application Processes

4.1 Application Submission Process

The following outlines the application submission process for ACEP:

- Applicant contacts Director of Aquaculture Development (or designate) to discuss potential project, and confirm information required by the Department of Fisheries, Forestry and Agriculture to complete an assessment;
- Applicant submits a proposal package, including a completed and signed application form, and a completed business plan, prepared in accordance with the guidelines contained in the program brochure, to the Director of Aquaculture Development;
- Applicant meets with Director of Aquaculture Development to discuss the proposed project and projected timeline for decision.

4.2 Application Assessment Process

The following outlines the application assessment process for ACEP:

- The Director of Aquaculture Development distributes the package to members of the Evaluation Committee.

Objectives include:

- Review of information to ensure it is accurate and complete;
- Determine whether additional information is required to properly assess proposal.
- If errors exist or additional information is required, the Director of Aquaculture Development, or designated staff, contacts the applicant to address.
- Once the Evaluation Committee is satisfied that information is complete and accurate, and members have reviewed it, a meeting is held.

The objectives of this meeting include:

- A review of representative input and feedback on the proposal, including identification of concerns, as well as potential impacts on the representatives' respective departments and government, as a whole;
- Determination of whether the proposal should be supported; and
- Discussion on funding and eligibility.

Areas of consideration should include the following:

- Contribution to Growth of Aquaculture Sector and Economic Impact – the potential of the proposed project to expand the province's aquaculture industry and impacts on the provincial economy (i.e. jobs, export sales, adverse effects);
- Technical Feasibility – the application of new technology, the proponent's level of technical expertise, and the probability of success, based upon technology currently available. Determine that (i) projected costs are accurate; (ii) production benchmarks are reasonable, achievable, and used consistently throughout the proposal; and (iii) available equipment is adequate to carry out the proposed work.

- Project Viability – the financial viability of the proponent and the project; the proponent’s managerial capability; the suitability of existing facilities, farm sites and vessels; the feasibility of the proposed marketing strategy; and the projected short and long-term benefits of the project to the enterprise.
- Financial Analysis – in-depth examination of historical and pro-forma financial statements using tools such as ratio analyses; scope will depend upon the nature of the project and the size of the proponent; a determination of the estimated net treasury impacts to government, as the project must generate net positive returns to the treasury, including government funding, for each year of the funding period.
- Source of Proponent’s Investment – a determination of whether the proponent is providing its cash investment from existing company resources or from financing arranged through a financial institution;
- Level of Risk – technical, biological, financial, managerial and other risks determined to be significant factors in the project’s success;
- Relative Merit and Program Balance – demands on program funds and project merit impact approved amounts and prioritization of applications.
- Based upon discussions at the Evaluation Committee, an analysis is submitted to the Assistant Deputy Minister - Fisheries and Aquaculture, by the Chair of the Committee.

4.3 Application Approval Process

The following outlines the application approval process for ACEP:

- The Director of Aquaculture Development submits an analysis to the Assistant Deputy Minister - Fisheries and Aquaculture for consideration.
- If the Assistant Deputy Minister - Fisheries and Aquaculture recommends approval of the application, it is forwarded to the Deputy Minister for review;
- If the Deputy Minister supports the application, it is discussed with the Minister;
- If the Minister supports the application, the Policy and Strategic Planning Division of the Department , in conjunction with the Director of Aquaculture Development, prepares a Cabinet Paper for the Minister to seek Cabinet approval;
- If the application is approved by Cabinet, a letter of offer from the Minister to the proponent is prepared by the Departmental Solicitor, in conjunction with the Assistant Deputy Minister; and
- Once the letter of offer has been signed by the proponent to accept the framework of terms and conditions, agreements are then prepared by the Departmental Solicitor, for execution by the proponent and the Minister (see 5.2).

4.4 Application Rejection Process

- If the Assistant Deputy Minister - Fisheries and Aquaculture, determines that the application should be rejected, the application assessment process ends;
- The Assistant Deputy Minister - Fisheries and Aquaculture, then advises the Deputy Minister, the Minister, and the proponent of the rejection decision, in writing;
- If Cabinet rejects the application after considering the Minister 's Cabinet Paper, the Assistant Deputy Minister - Fisheries and Aquaculture, advises the proponent, in writing;
- There is no opportunity to appeal rejection decisions under the ACEP.

5.0 Guidelines for Key Terms and Conditions

5.1 Letter of Offer

Subsequent to discussions and negotiations, a letter of offer outlining the amount of the investment which government is prepared to provide, and related general terms and conditions, including redemption details and dividends, is signed by the Minister of Fisheries, Forestry and Agriculture and forwarded to the applicant for consideration and acceptance within 14 days.

5.2 Agreements

Once the proponent has accepted government's offer, the following legal agreements/ documents are prepared for the investment, as deemed necessary, by the Departmental Solicitor, and reviewed by staff in the Department of Fisheries, Forestry and Agriculture and the Department of Industry, Energy and Technology:

- Contribution Agreement – contains detailed terms based upon commitments identified in the Letter of Offer;
- Unanimous Shareholders Agreement – the shareholders define its obligations between themselves;
- Subscription Agreement – the principal agreement between the issuer and the investor (government) in a placement of equity securities which contain detailed terms of the transaction;
- Corporate Guarantee(s) – an assurance that one of the proponent's affiliated companies will repay government's investment in the event that the proponent defaults on its agreement with government; and
- Subordination Agreement – an agreement that establishes the proponent's obligation to government as being ahead of its obligations to other shareholders or creditors.

5.3 Financial Statements

To be able to monitor its investment and be assured that the investee is not experiencing financial difficulty, financial statements are required to be provided on both a quarterly and annual basis. This requirement is contained in both the Contribution Agreement and the Unanimous Shareholders Agreement and typically involves the following financial statements:

- Quarterly Unaudited Financial Statements
- Annual Audited Financial Statements

5.4 Eligible Capital Expenditures and Limits

The Contribution Agreement identifies capital expenditures contained in the original business plan which are considered eligible to be funded up to 50 per cent through ACEP funding. In addition, restrictions are imposed upon non-aquaculture capital expenditures incurred, each year, by the proponent.

5.5 Share Value and Certificates

The Subscription Agreement (see 5.2) provides details regarding the maximum number and class of shares to be purchased by government, in addition to the process required to be followed. Each dollar invested by government will entitle it to receive one share.

Upon receipt of payment of each claim, the proponent will provide government with a share certificate representing the corresponding number of shares. Once government has completed its subscription, all share certificates will be surrendered by government and replaced by one consolidated share certificate. Upon each redemption payment remitted to government, this consolidated share certificate will be replaced with one that reflects government's adjusted equity amount.

5.6 Dividends

Once an agreed-upon number of years have passed following the disbursement of the investment funds, the proponent agrees to pay government an annual fixed dividend, based upon a percentage of the purchase price of the preferred shares. This dividend may be offset by the proponent's capital expenditures on aquaculture-related assets. Terms are specified in the legal agreements.

5.7 Repayment

Investments under ACEP are recovered through a share redemption schedule that is negotiated with each proponent. The timing and calculation of the amounts are contained in the legal agreements.

5.8 Default

The Contribution Agreement may be terminated if:

- the proponent is found to be adjudged bankrupt; or
- the proponent makes a general assignment for the benefit of its creditors; or
- a receiver is appointed on account of the proponent's insolvency; or
- the proponent breaches certain conditions outlined in the Agreement (i.e milestones not met).

In the case of breached conditions, the standard time-frame during which the proponent can remedy the default is 10 days.

6.0 Budget and Disbursements

6.1 Annual Provision

- The budgeted allocation contains a provisional amount and varies from year to year, depending upon projected uptake within ACEP.

6.2 Funding Levels

- ACEP provides a minimum investment of \$250,000 for finfish operations and \$100,000 for shellfish operations. Applicants must clearly demonstrate the ability to match the requested investment amount.
- There is no maximum investment level under ACEP. All reasonable proposals are considered for funding.

6.3 Eligible Activities/Costs

Activities eligible to receive funding are decided at the discretion of the Department of Fisheries, Forestry and Agriculture and include, but are not limited to, the following:

- New incremental capital expenditures which are directly linked to the proposal. Examples include the following:
 - Purchase or construction of a new building;
 - Expansion of an existing building;
 - Purchase of aquaculture cages;
 - Purchase of materials and/or equipment to construct aquaculture cages;
 - Purchase of nets or other gear required for aquaculture cages;
 - Purchase of equipment or gear utilized in farming operations (i.e. vessels, feed machines, net cleaners);
 - Purchase or construction of new hatchery facilities;
 - Expansion of existing hatchery facilities;
 - Manufacturing activities related to the aquaculture industry;
 - Waste management activities related to the aquaculture industry; and
 - Other capital assets related to farming.

6.4 Ineligible Activities/Costs

Ineligible activities and related costs under ACEP are decided at the discretion of the Department of Fisheries, Forestry and Agriculture and include, but are not limited to, the following:

- Goodwill;
- Motorized vehicles or vessels not used exclusively for the project;
- The portion of a capital asset's purchase price that exceeds its fair market value;

- General maintenance, renovation or replacement expenditures;
- Acquisition of existing companies and facilities;
- Costs incurred, or commitments made, prior to receipt of a project application.

6.5 Advance Payments

No advance payments are released under ACEP. Funds are released only upon receipt, review and acceptance of claims submitted by proponents in accordance with related agreements.

6.6 Payment of Claims

Funds are disbursed under ACEP as follows:

- Claims for reimbursement of project expenditures are submitted by the proponent to the Aquaculture Financial Analyst;
- Each project claim is assessed in accordance with requirements contained within the related contribution agreement (i.e. auditors' certificates, copies of invoices and/or receipts, expenditure summaries, etc.);
- Provided all supporting documentation received is in order, the Aquaculture Financial Analyst prepares a payment request, and reviews it with the Director of Aquaculture Development, who submits it to the Assistant Deputy Minister - Fisheries and Aquaculture for approval. It is then sent to Corporate Services for processing; and
- If a project claim is deficient, requires clarification, or requires adjustments, the Aquaculture Financial Analyst contacts the proponent and resolves the issue(s), before arranging approval of payment and forwarding to Corporate Services for processing.

7.0 Document/File Management

7.1 Document Management Policy

Electronic and paper files are created and maintained by the Department of Fisheries, Forestry and Agriculture for each project approved under ACEP.

- Electronic Document Management – scanned copies of all relevant project documents are stored in individual project folders in the department's electronic information management system.
- Paper Document Management – paper copies of all relevant project documents are maintained by the Aquaculture Development Division. These documents include applications, business plans, correspondence, site visit reports, project updates/ reports, financial statements, production data, and legal agreements. Two binders will be maintained for each project. One will contain financial and legal documents, while the other will contain applications, proposals, reports, correspondence and all other documents.

7.2 Document Management Process

The following outlines the process related to the management of documents related to each project under ACEP:

- Each application and proposal received by the Director of Aquaculture Development is routed to the administrative assistant, Aquaculture Development Division, who arranges to have an electronic record created;
- Each project-related document, generated or received, is placed in the electronic information management system and in one of two paper binders (as per section 7.1);
- A document checklist is prepared by the Aquaculture Financial Analyst for each project; and
- The project checklist is updated each time a new document is received.

7.3 Criteria for Closing Files

A project file is considered closed when one of the following criteria has been met:

- All activities related to the file have ceased; or
- The project work doesn't commence within the period specified in the Contribution Agreement; or
- Information requested from the proponent, related to approval of the project, hasn't been received within the specified period (typically 60 days); or
- The investment has been repaid in full.

7.3.1 Procedure for Closing Files

The Minister of Fisheries, Forestry and Agriculture will direct that a file be closed when the project has concluded and/or all activities related to the file have ceased, and the following conditions have been met:

- The proponent has redeemed all shares purchased by government;

- All reports required to be submitted in accordance with the terms of the Contribution Agreement have been received and are acceptable; and
- All dividends owing to government have been received.

The Minister of Fisheries, Forestry and Agriculture will direct that a file be closed when the project does not proceed in accordance with contractual timelines, or where information related to the project's approval is requested but not provided. In either case, the following procedure will be followed:

- The department will make a reasonable attempt to contact the proponent, by e-mail or phone, to discuss the reasons for the delay or to again request the information not provided;
- If the proponent cannot be contacted, a letter will be sent, inquiring as to the proponent's intent regarding the project, and requesting that a response be received within 30 days;
- If the proponent does not respond to the letter, a second letter will be sent, notifying the proponent that the file will be closed; and
- The Minister will direct that the file be closed.

8.0 Project Monitoring

All approved projects will be monitored on an ongoing basis by the Aquaculture Financial Analyst, to ensure compliance, particularly with respect to milestones, dividend payments, and redemption terms.

The following outlines the procedure for project monitoring under the Program:

- All agreements, including the Contribution Agreement, Unanimous Shareholders Agreement, Subscription Agreement, and Subordination Agreement, as well as any Corporate Guarantees, are reviewed by the Aquaculture Financial Analyst, upon execution, and a summary document is developed which identifies all commitments, including related dates/deadlines, contained therein, including the following:
 - dividend rates and annual due dates (if applicable);
 - types and frequency of financial statements required to be submitted;
 - basis of calculation and schedule for redemption payments;
 - frequency and deadlines for submission of activity and/or performance reports.
- The Aquaculture Financial Analyst utilizes the summary document to ensure that all commitments are kept by the proponent and to track all dates related to its compliance with the requisite timelines.
- An Aquaculture Development Officer is assigned to each file to monitor progress and to liaise with the proponent.
- The Director of Aquaculture Development will oversee the assignment of departmental staff to conduct site inspections/audits of assets, as deemed necessary, in accordance with the terms of applicable agreements.
- A status report of all projects, including expenditures incurred to date, redemption and dividend amounts due and paid, as well as general progress, will be prepared by the Aquaculture Financial Analyst and submitted by the Director of Aquaculture Development to the Assistant Deputy Minister - Fisheries and Aquaculture, on a quarterly basis.

9.0 Program Evaluation

ACEP will be subject to an evaluation to determine if it has achieved the objectives it was established to meet. It will be monitored and assessed, as required, for its duration. Changes to objectives, criteria, or funding structures have to be approved by Cabinet.

An evaluation framework for ACEP will be developed in order to assess its success. To assist in completion of an evaluation of the program, data relating to the following Key Performance Indicators (KPI) will be collected, recorded, and summarized.

| Objective/Activity | Performance Indicator(s) |
|---|--|
| Provide funding to finfish operators | <ul style="list-style-type: none"> - # of applications received - # of applications supported - Amount of funding provided |
| Provide funding to shellfish operators | <ul style="list-style-type: none"> - # of applications received - # of applications supported - Amount of funding provided |
| Provide funding to hatchery operators | <ul style="list-style-type: none"> - # of applications received - # of applications supported - Amount of funding provided |
| Increased production capacity for marine sites | # of newly-licenced marine sites |
| Increased production capacity for hatchery facilities | # of newly-licenced hatchery facilities |
| Increased production through marine site activity | Annual production on marine sites |
| Increased employment through marine site activity | # of persons employed on marine sites |
| Increased production through hatchery activity | Annual production in hatcheries |
| Increased employment through hatchery activity | # of persons employed in hatcheries |
| Develop a viable and sustainable aquaculture industry | <ul style="list-style-type: none"> - Funding amount leveraged from ACEP investments - GDP contribution - Labour income contribution |
| Increased employment through spin-off economic activity | # of persons employed in the region (non-aquaculture farm jobs) |

10.0 Confidentiality

This section addresses the need for program confidentiality. In general, privacy laws deal with the flow of information throughout an organization (including information collection, use, disclosure, retention, security and disposal).

10.1 Policy

- Completed project application forms and all other proponent information, including proposals, financial information, and legal agreements, must be treated confidentially.
- Under ACEP, data shall be managed according to government standards.
As such, the following legislation will be recognized and followed:
 - Access to Information and Protection of Privacy Act
www.assembly.nl.ca/legislation/sr/statutes/a01-1.htm
 - Management of Information Act
www.assembly.nl.ca/legislation/sr/annualstatutes/2005/M01-01.c05.htm
 - Rooms Act
www.assembly.nl.ca/legislation/sr/statutes/r15-1.htm

Procedure for Confidentiality/Best Practices

The Protection of Information Tips and Guidelines (www.ocio.gov.nl.ca) for best practices when managing information and any departmental standards, will be applied to all program documentation and correspondence.

Rationale

Program information must be treated in a confidential manner to:

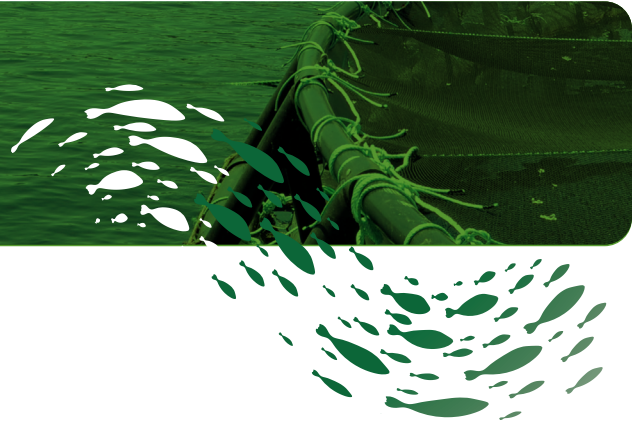
- Adhere to the spirit and intent of the Access to Information and Protection of Privacy Act;
- Eliminate the intentional or unintentional release of private corporate information; and
- Protect confidential information regarding companies and individuals.

11.0 Communications

For approved proposals, the Assistant Deputy Minister - Fisheries and Aquaculture, will notify the Director of Communications, Department of Fisheries, Forestry and Agriculture.

Appendices

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 must be verified by way of an auditor's or solicitor's certificate, indicating that the applicant's investment has been made concurrently with that of government.

The form of government's investment will mirror that of the applicant's, 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 shares with rights as above.

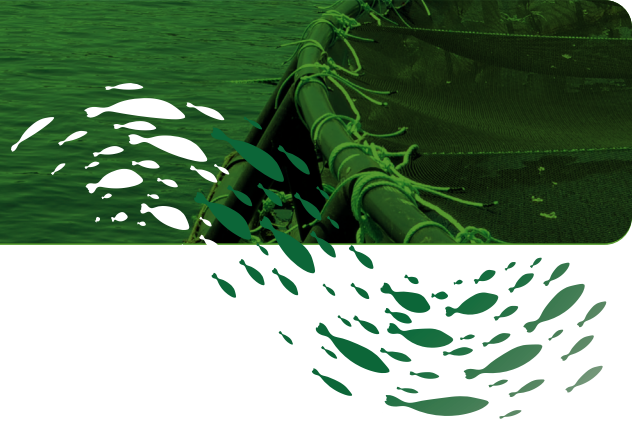
Government and the applicant will enter into a Unanimous Shareholders Agreement which will include all normal covenants, and possibly a conversion right for government, if conditions of the agreement are not adhered to by the applicant, along with redemption privileges for government's investment.

Eligibility Criteria

At the discretion of government, consideration of an application for an Aquaculture Capital Investment 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 licenced and approved by the Department of Fisheries, Forestry and Agriculture.
- The applicant must provide a business plan which includes information as requested by government in its 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 licences 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 its total assets, evidenced by externally-prepared (minimum review engagement) financial statements for the last fiscal year, updated to the date of application, if requested. 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 Working Capital Loan Guarantee Program.

Aquaculture Capital Equity Program



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 three years and identification of shareholders
- Listing of any other businesses with which the shareholders are associated
- Declaration of any debts, present or past, owing by shareholders 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 three 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 four years, including all assumptions
- Projected Monthly Cash Flow Statements for the first five years of operations, including all assumptions
- Complete listing of all assets owned, or to be acquired, by the company as part of the project (serial numbers to be available upon request) 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 sources

Technical

Production plan to cover a five-year period, which will include:

- Site locations and licence 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 the first five years of operations, including quantity, size and cost of equipment (cages, nets, boats, barges) and facilities (wharves, accommodations)
- Harvesting/Marketing/Processing Plan

Other

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

Fisheries, Forestry and Agriculture Aquaculture Development Division

58 Hardy Avenue
Grand Falls-Windsor, NL
A2A 2K2
709.292.4111





Aquaculture Capital Equity Program

Application Form

Applicant Information

Legal Name: _____

Mailing Address: _____

City (Town): _____

Postal Code: _____ Email: _____

Phone: _____ Fax: _____

Project Contact Name: _____

Phone: _____ Fax: _____

Declaration of Intent

I, _____, hereby certify that _____
is applying for funding from the Government of Newfoundland and Labrador
under the Aquaculture Capital Equity Program.

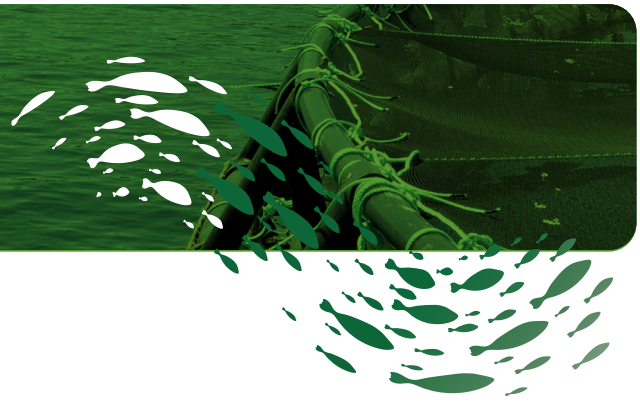
Applicant signature: _____

Date signed: _____



Aquaculture Capital Equity Program

Application Form



Brief Project Summary

Total funding requested: _____ Estimated project cost: _____

Sources of Funding: (Please list name of entity and total funding provided, include applicant's contribution)

| Name of Entity | Total Funding Requested | Date of Application |
|----------------|-------------------------|---------------------|
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Total anticipated increase in production at project completion: _____

Total anticipated increase in employment at project completion: _____

Total anticipated number of new site developments: _____

Appendix C - Letter Acknowledging Receipt of Application/Proposal



Government of Newfoundland and Labrador
Fisheries, Forestry and Agriculture

Address Block

Dear

This correspondence acknowledges receipt of your application and proposal, on _____ for financial assistance, for _____ under the Aquaculture Capital Equity Program (ACEP).

Please be advised that if your application does not qualify for financial assistance and you have already proceeded, any financial or legal commitments on your part shall not become the liability of the Department of Fisheries, Forestry and Agriculture.

Your project is under assessment, and you will be contacted once a decision has been made, or should additional information be required.

Sincerely,

Assistant Deputy Minister
Fisheries and Aquaculture

c.

Appendix D – Letter of Approval



Government of Newfoundland and Labrador
Fisheries, Forestry and Agriculture

Address Block

Dear

Further to your application for assistance submitted under the Aquaculture Capital Equity Program (ACEP), I am pleased to advise that this project has been approved with a maximum contribution of \$ _____ from the Department of Fisheries, Forestry and Agriculture and subject to the terms and conditions attached. The Assistant Deputy Minister-Fisheries and Aquaculture will contact you to finalize a contract, based on the terms and conditions identified.

I wish you success with this project, and we look forward to working with you in the further development of our province's aquaculture industry.

Sincerely,

Minister

C:

Appendix E - Letter of Rejection / Ineligibility



Government of Newfoundland and Labrador
Fisheries, Forestry and Agriculture

Address Block

Dear

Further to your proposal submitted under the Aquaculture Capital Equity Program (ACEP), we have completed a thorough review of your application, and unfortunately your proposal does not meet the eligibility criteria of the Program. **(Insert specific reason for ineligibility under the program criteria).**

Thank you for your interest in our aquaculture development program, and we encourage you to submit future proposals.

Should you have any questions regarding this decision, please contact the undersigned at (709) 729-XXXX.

Sincerely,

Assistant Deputy Minister
Fisheries and Aquaculture

c:

Appendix F – Evaluation Committee Meeting Record

Aquaculture Capital Equity Program

Evaluation Committee - Record of Meetings

TRIM# _____

| Project Name | Meeting Date | Meeting Location | In Attendance | Action Items |
|--------------|--------------|------------------|---------------|--------------|
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Appendix G – Eligibility Criteria Checklist

Aquaculture Capital Equity Program

File Checklist – Eligibility Criteria

File # _____

Company Name _____

| To be Verified | Verified by | Date Confirmed |
|--|-------------|----------------|
| Currently involved/proposed to be involved in commercial aquaculture | | |
| Business Plan submitted | | |
| Demonstrates sustainable employment opportunities | | |
| Demonstrates incremental production and increase in sales | | |
| Demonstrates long-term commercial viability | | |
| Demonstrates need for government assistance | | |
| Licences approved | | |
| Regulatory requirements met | | |
| Good Financial Position | | |
| Good Legal Position | | |
| Management Capability | | |
| Equity Position (20% of total assets) | | |

Appendix H – Assessment Process Checklist

Aquaculture Capital Equity Program

File Checklist – Assessment Process

File # _____

Company Name _____

| Document Name | Date Received/Sent | TRIM Number |
|---------------------------------------|--------------------|-------------|
| Application Form | | |
| Letter of Acknowledgement | | |
| Business Plan: | | |
| - Ownership/Management | | |
| - PNWS (if applicable) | | |
| - Resumes | | |
| - Marketing | | |
| - Pro Forma Financial | | |
| - Audited Financials | | |
| - Asset List | | |
| - Liens | | |
| - Funding Arrangements | | |
| Technical Assessment - FLR | | |
| Financial Assessment - TCII | | |
| Financial Assessment – FLR | | |
| Financial Assessment - Finance | | |
| Letter of Rejection/Approval | | |
| Signed Contract | | |

Appendix I – Payment Claim Process Checklist & Forms

Aquaculture Capital Equity Program

File Checklist – Payment Claim Process

File # _____

Company Name _____

| Document Name | Date Received/Sent | TRIM Number |
|--------------------------------|--------------------|-------------|
| Proponent Claim for Payment #1 | | |
| Release of Payment Memo #1 | | |
| Proponent Claim for Payment #2 | | |
| Release of Payment Memo #2 | | |
| Proponent Claim for Payment #3 | | |
| Release of Payment Memo #3 | | |
| Proponent Claim for Payment #4 | | |
| Release of Payment Memo #4 | | |
| Proponent Claim for Payment #5 | | |
| Release of Payment Memo #5 | | |
| Proponent Claim for Payment #6 | | |
| Release of Payment Memo #6 | | |

Note: For each claim the Proponent's Claim for Payment must be submitted and placed in TRIM.



Aquaculture Capital Equity Program (ACEP)
Proponent's Claim for Payment

Proponent: HST/GST Registration # (if applicable):

Address:

Postal Code:

Contact: Telephone: Fax:

Project Name:

Please provide information on all costs being submitted for claim. Alternatively, information can be provided in a spreadsheet with headings below clearly indicated. Add additional pages if required.

| Item # | Description of Costs | Name of Supplier | Invoice # | Invoice Date | Net Cost | HST/GST | Total Cost |
|-----------------|----------------------|------------------|-----------|--------------|----------|---------|------------|
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| Item # | Description of Costs | Name of Supplier | Invoice# | Invoice Date | Net Cost | HST/GST | Total Cost |
|--------|----------------------|------------------|----------|--------------|-----------------|---------|------------|
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CERTIFICATION (to be signed on final page)

| | | |
|-----|----|---|
| Yes | No | The assets claimed above are onsite (If no, please provide details an attached sheet). |
| Yes | No | The above-noted costs have been incurred and are eligible costs of the project. |
| Yes | No | All the requested information is accurate and complete. |
| Yes | No | The project is in compliance with all special and general conditions of the contract. |
| Yes | No | Any contribution provided as a result of this claim will be applied directly and only to eligible contract costs. |

Authorized Signing Authority: _____ Date: _____

Appendix J - Release of Payment Memo



Government of Newfoundland and Labrador
Fisheries, Forestry and Agriculture

MEMORANDUM

TO:

FROM:

DATE:

SUBJECT: Release of Payment No. _____
Company Name
Aquaculture Capital Equity Program
\$ amount to be released _____

Please arrange to have a cheque in the amount of \$ _____ issued to Company Name in accordance with the above-noted contract.

The mailing address is as follows:

Street/ mailing address Town,
Province
Postal Code

The company's HST number is _____

PLEASE ARRANGE TO HAVE THIS CHEQUE HELD.

A claim for payment received from the proponent contains eligible capital expenditures totaling \$ **add amount** which are supported by **add type of supporting documentation** as the terms of the contract. Copies of the signed contract, Proponent's claim for payment, **add other documentation attached** are attached.

As per schedule _____ of the contract add detail of the terms of the contract. Add amount of this amount is being released under the fiscal _____ budget.

AMOUNT DUE **Add amount**

Signature

Attachment

Appendix K – Project Site Visit Checklist & Report

Aquaculture Capital Equity Program

File Checklist – Project Site Visits

File # _____ Company Name _____

| Document Name | Date Completed | TRIM Number |
|-----------------------|----------------|-------------|
| Project Site Visit #1 | | |
| Project Site Visit #2 | | |
| Project Site Visit #3 | | |
| Project Site Visit #4 | | |
| Project Site Visit #5 | | |
| Project Site Visit #6 | | |

Note: The Project Site Visit report must be completed for each visit and placed in the appropriate TRIM folder.

Aquaculture Capital Equity Program
Project Site Visit Report

| | | |
|---|---------|--------|
| Project Name: | | |
| Proponent | | |
| Contact: | | |
| File #: | | |
| Project Description: | | |
| | | |
| | | |
| Activities Completed: | | |
| | | |
| | | |
| Major Equipment Purchased with ACEP Funding (Model/Serial #s if available): | | |
| | | |
| | | |
| Overall Impression of Project/Workmanship/Management of Project: | | |
| | | |
| | | |
| Follow-up Action Required: | | |
| | | |
| | | |
| Photos Taken & Forwarded to File: | Yes | No |
| | Digital | Print: |
| | | |



