

*Canada's Northwest Territories Government*  
*Aurora Fund (1996)*

NWT LEGISLATIVE LIBRARY



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**GOVERNMENT ADMINISTERED VENTURE CAPITAL FUND**

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**HELPING NORTHWEST TERRITORIES BUSINESSES**

Canada's Northwest Territories Government Aurora Fund (1996) is a corporation registered under the *NWT Societies Act* with its offices at Postal Service 9600, 4910 Franklin Ave., Suite 294, Yellowknife, Northwest Territories, X1A 2R3.

The Aurora Fund is an approved Government Administered Venture Capital Fund pursuant to the Canada Immigration Act and Regulations.

The purpose of the Aurora Fund is to invest in the Active Business Operations of Eligible Businesses which will be of economic benefit to the Northwest Territories and will create or continue employment for NWT residents.

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**PROJECTS ELIGIBLE FOR FINANCING**

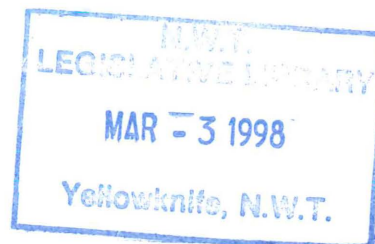
Investments will be directed to NWT businesses engaged in such activities as the production of goods or provision of services, including but not limited to: transportation and shipping; the development of gold, silver, or diamond properties; extraction or transportation of natural gas or oil; provision of health and other professional services; the provision of services to government, including privatization of government services; and, selected categories of real estate development.

The investments can be used to establish, purchase, expand or maintain Eligible NWT Businesses and NWT Commercial Ventures.

The total cost of the project of which the business operations are a part cannot exceed \$35,000,000.

Investments made by the Aurora Fund must:

- a) be used in business operations that create or continue employment for Canadian citizens or permanent residents and that actively foster the development of a strong and viable economy and territorial prosperity;
- b) comply with federal requirements as set out in the Canada Immigration Act and regulations;
- c) comply with the territorial requirement of providing significant economic benefit to the territories through:
  - i) job creation; or
  - ii) economic diversification; or
  - iii) attracting new capital.



Exclusions:

- a) A project shall not be considered to be eligible where the investment is:
  - i) made primarily for the purpose of deriving investment income, such as interest or dividends;
  - ii) made for the purpose of refinancing existing business operations of the eligible business.
  - iii) made for purposes of investing in real estate where the investment will be used to:
    - 1) invest in the development, renovation or purchase of residential property;
    - 2) invest in the purchase of existing commercial real property for the purpose of deriving rental income or for benefiting from increases in property values; or
    - 3) invest in the purchase of existing commercial real property for use in the business activities of the applicant, unless not more than 50% of the investment is so invested and the remaining percentage of the investment is used to develop or renovate the property.

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## LOAN AMOUNTS AND TERMS

The interest rate, term (not to exceed 5 years) and conditions, and security will be negotiated by the NWT Investments Manager and the eligible business.

a) Amount

The minimum principal amount of a loan cannot be less than \$750,000.

b) Interest Rate

The Aurora Fund has established a loan base rate of six and nine tenths (6.90%) percent.

The rate of interest to be charged on a loan will be negotiated with the NWT Investments Manager and will be a function of the risk and security related to the loan.

The interest rate will be fixed for the life of the loan at the interest rate in effect on the date the loan agreement is signed on behalf of the Aurora Fund.

c) Terms and Conditions

The Aurora Fund shall set the terms, conditions and take security for loans made in form and content related to the amount of the loan and its commensurate risk.

Borrowers will be required to establish a sinking fund to repay the principal amount of the loan within five (5) years.

The Aurora fund shall not take residential property as security.

A third party may guarantee the repayment of the loan.

## d) Reporting

The business must submit periodic reports to the Aurora Fund. Reporting requirements to be specified in the commitment letter.

**FEES**

The eligible business will be responsible for an investigation/assessment fee and a legal fee for all loans processed.

Fees will vary depending on the type of financing required and the complexity of the proposition.

## a) Aurora fund - investigation/assessment

A non-refundable preliminary investigation fee of \$1,500.00 must be submitted with the application. In addition, the applicant must pay a non-refundable fee for a detailed investigation and preliminary structuring of the loan. The preliminary investigation fee will be applied to the fee charged for a detailed investigation of the application if the application advances to that stage.

## i) Initial contact or enquiry.

No Fee.

## ii) Preliminary investigation.

All Applications                      \$1,500.00 Flat Fee.

iii) Detailed investigation and preliminary structuring of the loan.

<u>Amount of Loan</u>	<u>Fee as a Percentage of Loan</u>
Less than \$1,000,000	.40% to .50%
More than \$1,000,000	.25% to .50%, subject to a maximum of \$10,000

The \$1,500.00 flat fee assessed at the preliminary investigation stage will be credited to the fee assessed at this stage.

## b) Aurora fund - legal counsel

The eligible business must pay this fee on closing. This fee may be paid from the loan proceeds.

<u>Amount of Loan</u>	<u>Fee as a Percentage of Loan</u>
Less than \$1,000,000	.40% to .50%
More than \$1,000,000	.25% to .50%, subject to a maximum of \$10,000

## QUALIFICATION OF ELIGIBLE BUSINESSES

Eligible businesses should be established enterprises with experienced management and a history of profitable operations with the potential for growth in sales, net earnings and cash flow.

New businesses with a viable plan and experienced management will also be considered.

The eligible business must at all times be Canadian controlled and foster the development of a strong and viable economy and regional prosperity in Canada.

An eligible business is a business that is operated in the Northwest Territories which:

- a) is not managed or controlled directly or indirectly by one or more persons who are not ordinarily resident in Canada, and having total gross assets, including assets of all associated corporations and joint ventures within the meaning of section 256 of the *Income Tax Act* (Canada), of not more than \$35,000,000 at the time when the Aurora Fund invests in the business; and

For the purpose of the definition "eligible business":

- i) inter-company investments between associated corporations may be eliminated when aggregating gross assets of the business;
  - ii) a corporation that is associated with the business includes a partnership or joint venture that is associated with that business, and a partnership or joint venture that is associated with another partnership or joint venture or with a corporation, if they are associated in a manner similar to the manner in which corporations are associated within the meaning of section 256 of the *Income Tax Act* (Canada) with respect to an investor; and
  - iii) where two or more corporations are acting together directly or indirectly in a business, the resulting business shall not be considered to be an eligible business unless the total assets of one group of corporations, including associated corporations, that controls the business do not exceed \$35,000,000.
- b) where two or more businesses which are otherwise unassociated, carry out a business venture, the commercial venture will be controlled by at least one group of corporations the combined size of which does not exceed 35,000,000.

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## THE FINANCING PROCESS

- a) The business discusses the proposed project with the NWT Investments Manager to determine eligibility.
- b) The business seeking financing obtains an application from the NWT Investments Manager if the project is eligible.
- c) The eligible business completes a detailed business plan and submits it and the prescribed fee to the NWT Investments Manager.

- d) The NWT Investments Manager completes a preliminary investigation. If the project has potential a detailed investigation will be undertaken, if it does not have potential the application will be declined at this stage.
- e) The eligible business submits the prescribed fee to the NWT Investments Manager.
- f) The NWT Investments Manager completes a detailed investigation and develops the preliminary structuring of the deal.
- g) The NWT Investments Manager issues a draft commitment letter.
- h) The NWT Investments Manager and the applicant agree on Terms and Conditions.
- i) The NWT Investments Manager prepares the credit application and submits it for approval.
- j) The Board of Directors of the Aurora Fund reviews the credit application, and either approves or rejects it.
- k) The NWT Investments Manager issues a formal Commitment Letter.
- l) The eligible business executes the Commitment Letter.
- m) The Commitment Letter is sent to Lawyers for preparation of Security Documentation.
- n) Draft Security Documentation prepared and forwarded to the Aurora Fund and eligible business's Legal Council for review.
- o) Security Documentation agreed upon.
- p) Security Documentation executed.
- q) Advance made to Lawyer's trust account.
- r) Transaction closes.