

LOAN AND EQUITY APPLICATION GUIDELINES

Overview

Funding made to support eligible projects in the form of a loan or equity investment, subject to principal repayment with interest, and such security terms and conditions as SIDIT deems applicable. Loan and Equity terms, fees and rates will be market based.

Strategic Priorities

The following were identified as the strategic priorities that will be considered by the SIDIT Board of Directors in their review of loan and equity funding proposals.

- Contribution towards economic sustainability of small communities
- Regional impact
- Realistic measurement criteria established to assess project outputs
- Job creation, job preservation, or enhancement
- Economic diversification
- Leveraging other funds (It is expected that projects supported by SIDIT will have a minimum of matching funds invested by either the project proponent or other parties)
- Filling funding gaps
- Avoiding overlap and duplication
- Economic merit
- Research and Development leading to commercialization
- Strategic initiatives
- Ensuring geographic sensitivity in the disbursement of SIDIT funds

Eligibility

The following areas have been determined as the primary targets for SIDIT funding support:

- Agriculture
- Economic development
- Energy
- Forestry
- Mining
- Olympic opportunities
- Pine beetle recovery
- Small business
- Tourism
- Transportation

With Emphasis on:

- Environmentally friendly manufacturing operations
- The development of strategic alliances
- Research and development initiatives that lead to increased commercial activity
- Arts and culture initiatives that demonstrate measurable economic impact
- Initiatives that contribute to small community sustainability
- Initiatives that have a regional impact
- Initiatives that result in sustainable job creation, job preservation, or enhancement
- Initiatives that contribute to the diversification of the economy
- Public/private sector partnerships (P3s)

Ineligible Projects

The Trust has identified the following as being ineligible for financial support from the Trust. Note that this list is indicative and not necessarily a complete summary of all excluded initiatives:

- Stand alone feasibility and marketing studies
- Health studies
- Activities which do not comply with local, provincial or federal legislation
- Controversial initiatives with moral, social, religious or public safety concerns
- Projects that primarily fund social initiatives (health and education services, facilities and infrastructure, day cares, assisted care facilities, social housing, Religious institutions, etc.)
- Projects that benefit a narrow geographic area or have a limited impact
- Projects that are comprised of 100% construction activities (real estate development projects, etc)
- Projects that would normally be funded from government which include but are not limited to transportation, roads, water and sewer, recreational buildings, community centres, schools, hospitals, airport related projects.
- Projects without a clear proposal, management plan or a clear leadership role.

Application Intakes

- Funding applications are continuously accepted to this program.
- Evidence of support by the Regional Advisory Committee(s) and a decision by the Board of Directors are required for funding.

Funding Terms

- SIDIT provides funding up to a maximum of \$1,000,000 or a maximum of 50% of a total project budget (a minimum leveraging ratio of \$1.00 from SIDIT to \$1.00 from other sources).
- Applicants must provide confirmation of all other sources of project funding prior to SIDIT disbursing funds. Applications that have confirmed other funding at the time of review by the Board of Directors are preferred. In the case of other unconfirmed funding sources at the time of application to SIDIT, applicants are required to provide the date a decision is expected for each unconfirmed funding source.

Key Deliverables

The following key deliverables are required to demonstrate the direct economic benefits of the project.

➤ New Employment (Job Creation)

Projects funded under this program must propose direct full-time equivalent job creation. Applications are assessed for the total full-time equivalency of jobs created for the following classifications:

- ✓ Direct permanent full-time jobs.
- ✓ Direct permanent part-time jobs.
- ✓ Direct seasonal jobs.
- ✓ Direct temporary jobs (construction or consulting).

➤ Increased Revenue Generation

- ✓ Projects funded under this program must propose a direct increase in revenue generation.
- ✓ Preference for projects that generate revenues from outside the Southern Interior region (for instance, foreign exports, international trade, trade with other provinces, trade with other regions in British Columbia, events and amenities that drive tourism from other regions).
- ✓ A business plan including profitability and cash flow projections should be attached to all loan and equity funding applications.

➤ Leveraging

- ✓ Preference for projects that partner SIDIT funds with multiple other funding sources.
- ✓ Preference for projects where the applicant organization makes a significant financial investment in the project.
- ✓ Preference for projects that secure significant financial investment from other funding sources relative to the amount requested from SIDIT.

➤ Sustainability

Projects funded under this program are assessed for their positive impacts on community and economic sustainability. The following sustainability factors are assessed for each funding application:

- ✓ The project can demonstrate economic sustainability.
- ✓ The project contributes to environmental sustainability.
- ✓ The project will result in a direct increase in taxable property values.

➤ Strategic Factors

Projects funded under this program are assessed for their alignment with a number of strategic factors:

- ✓ The project involves a new product, technology, or patent.
- ✓ Supporting market research for the project is attached to the funding application.
- ✓ A business plan that includes a profitability projection is attached to the funding application.
- ✓ Implementation of the project will decrease the cost of doing business.
- ✓ Quote(s) supporting the project budget are attached to the funding application.
- ✓ The project provides broad regional economic impact(s).
- ✓ New products/services will be marketed outside the SIDIT region.
- ✓ New products/services will be provided within the local/regional economy.

Application Assessment

SIDIT staff undertake comprehensive due diligence of each funding application received, which may include contacting relevant agencies and organizations as part of the review process.

All projects are assessed on the Key Deliverables, Leveraging, Sustainability, and Strategic Factors identified in the funding application submitted to SIDIT.

Principles:

The following principles will guide the Board in making its evaluation and should be considered by prospective proponents in determining the eligibility of their projects for SIDIT funding. These principles may also be supplemented by other considerations by the Board in making its funding decisions:

- Consistent with the Act, vision and mission of the Trust.
- Open and transparent processes, decisions and reporting.
- High standards of financial management and accountability.
- Sound strategic and operational planning.
- Leveraged investment with maximum Trust participation rate of 50%.
- Investments made in the context of a long-term strategy.
- Funding to take the form of loans or equity participation or combination thereof.
- Preference for initiatives with regional benefits.
- Bias for investments offering long-term, sustainable benefits.
- Diligent professional evaluation of proposals' feasibility and risk.
- Real benefits as measured by increased tax base, new job creation, incremental revenue generation and economic diversification in addition to non financial benefits.
- Evaluation and reporting of success against clear performance measures.

Application Process

1. Applicant may contact SIDIT to discuss the proposed project scope and potential alignment with the Loan and Equity Funding program. Contact information is available online at the Southern Interior Development Initiative Trust website, www.sidit-bc.ca.
2. The applicant completes a funding application and submits the application to SIDIT. Application forms are available online at the Southern Interior Development Initiative Trust website, www.sidit-bc.ca. All applications should be completed electronically in PDF format and emailed to the Trust office at admin@sidit-bc.ca. Financial tables and spreadsheets should be submitted in Microsoft Excel format and all

supporting information should be submitted electronically. Signed Authorization should be emailed or faxed to (250) 545-6896.

3. SIDIT staff conduct preliminary due diligence of the application, and forward the funding request to the Regional Advisory Committee(s) for review.
4. Once the funding application has been reviewed by the Regional Advisory Committee(s), SIDIT staff finalize due diligence, incorporate the Regional Advisory Committee(s) comments, and present the funding request to the Board of Directors for their vote.
5. Following the Board vote, SIDIT staff will notify the applicant of the Board's funding decision by phone or email. A formal letter is mailed to the applicant.
6. Funding agreements and supporting documents will be prepared by SIDIT solicitors and provided to the applicant for signature once the applicant has provided written documentation confirming all other funding sources to SIDIT.
7. Monthly, Quarterly and Annual reporting on Key Deliverables specific to the funding proposal is a requirement of applicants with approved funding.