



**SODIM**

*Société de développement de l'industrie maricole inc.*

***INVESTMENT POLICY***

***AQUAMER FUND***

***DOCUMENT ADOPTED BY THE BOARD OF DIRECTORS***  
***ON JUNE 27, 2011***

***JUNE 2011***

## **PREAMBLE**

- ✦ SODIM came into being in 1997. Its mission is to contribute to the development of a profitable and competitive mariculture industry in Québec. The aid provided by SODIM is intended to be flexible, adapted to the needs of the mariculture sector and complementary to aid provided by other financing organisations. In the spectrum of financing available to enterprises, SODIM—through its mission—provides venture capital, notably by offering development capital, also known as patient capital. Its ways of intervening and its investment conditions are, for the most part, directly associated with its fairly unique mandate in mariculture development.
- ✦ SODIM offers a range of financing solutions via two tools: the SODIM investment fund and the *Aquamer* fund. This fund was set up following the signature in February 2010 of a partnership agreement with Canada Economic Development (CED). The CED contribution, which alone accounts for the fund's principal, is in the form of a 4 million dollar interest-free loan payable over a period of some fifteen years. The particular nature of the CED/SODIM agreement suggests the establishment of investment conditions specific to this fund.
- ✦ It is important to point out that the SODIM investment fund, in place since 1997, will continue to contribute to fostering the development of mariculture. This fund will essentially serve to support temporary financing measures offered by SODIM (tax credits, subsidies, stocks) and, depending on the capital that is or will be available in said fund, to provide long-term financing for mariculture projects.
- ✦ The purpose of this document is specifically to set out the investment conditions governing SODIM's *Aquamer* fund.

## **ELIGIBLE ENTERPRISES**

The targeted sector of activity is mariculture, and more particularly, the enterprises that are involved in the production and/or processing of mariculture products. An enterprise is considered to be eligible if it has all the following characteristics:

- 1) It is located in one of the following administrative regions—Gaspésie, Iles-de-la-Madeleine, Bas-Saint-Laurent or Côte-Nord;
- 2) It is constituted in one of the following legal forms: an incorporated company or a cooperative;
- 3) It is a mariculture enterprise that holds a permit issued by MAPAQ for the practice of its aquaculture activities in a land-based or open-water environment.

or

It is an enterprise that adds value—through processing—to mariculture products and holds a processing permit issued by MAPAQ.

When the *Aquamer* fund is used to help finance a mariculture product processing project, the conditions set out in this document, as well as those appearing in the text *Modalités d'intervention en transformation des produits maricoles* adopted by the SODIM Board of Directors in April, 2007, must be taken into account.

## **ELIGIBLE PROJECTS**

SODIM, via the *Aquamer* fund, can intervene at any stage of an enterprise's development: start-up, growth/expansion (increased production, development of new products or markets, acquisition or repair/replacement of major equipment, etc.), consolidation, recovery or business succession projects.

To be eligible, the project must be submitted by an eligible enterprise and seek to foster the creation or growth of said enterprise regardless of its current stage of development.

### **INTERVENTION CONDITIONS**

The *Aquamer* fund is one of two financing tools managed by SODIM. When it intervenes, SODIM generally seeks to contribute funding from both the *Aquamer* fund and its investment fund.

The next points set out the conditions governing SODIM intervention. They must be seen as guidelines that enable SODIM to determine the potential scope of its intervention in a project. However, the amount of SODIM'S contribution will depend on the nature of the project and also, for the most part, on the availability of monies in each of the funds managed by SODIM.

#### **1. Forms of Investment**

The investment will be made in one of the following forms or a combination thereof:

- ↳ preferred share capital;
- ↳ debentures;
- ↳ loans.

#### **2. Investment per project**

In the case of participation in the form of preferred share capital:

- ↳ Minimum: none;
- ↳ Maximum per project: \$600,000.

In the case of participation in the form of a loan or debentures:

- ↳ Minimum : \$5,000;
- ↳ Maximum per project: \$100,000.

In all cases, the total SODIM investment in a given enterprise via the *Aquamer* fund cannot exceed \$600,000, all forms of investment taken together.

### **3. Financial participation**

Through its interventions, SODIM aims to share financial risk with private promoters on the one hand, and also create a leverage effect to encourage the participation of other financing organisations.

SODIM's financial participation, regardless of form and investment fund used, cannot exceed 50% of the cumulative venture capital needs (all partners together) and the private investments of the promoters. In cases where public organisations (CLD, SADC, etc.) are associated with a project, 25% of the repayable contributions will be included in the calculation of financial risk.

In cases where the project involves the acquisition, repair or replacement of major equipment, SODIM can finance up to 100% of the cost of said equipment if the nature and value of the guarantees it is offered are acceptable and worth at least 160% of the requested loan. If such guarantees cannot be offered, the SODIM loan will be limited to 65% of the value of said equipment.

### **4. Promoters' investment**

Their investment can include, after analysis, the transfer of assets required for operations. Recognition of transferred assets cannot however exceed 35% of the value of the promoters' investment.

In the case of an existing enterprise, earlier investments in the project are not taken into consideration.

### **5. Buybacks from existing partners**

Since SODIM manages development funds, it will not buy back the shares of the existing partners.

### **6. Share capital – Special provisions**

- ↳ The preferred shared capital falls into the “SODIM” category. They provide an annual cumulative yield of 5% (or 20% of the funds generated, whichever is less) in the form of dividends beginning in the third year of the SODIM intervention; the total amount of the dividends cannot exceed 30% of the SODIM subscription;
- ↳ The shares are non-voting but do entitle SODIM to sit on the enterprise's board of directors (as an observer with a right to speak). Moreover, these shares give SODIM a right of veto with respect to the enterprise's business conduct;
- ↳ As a general rule, SODIM will require asset collateral or personal guarantees in exchange for all or part of its investment via the *Aquamer* fund;

- ↳ The value of the investment will have to be retired over a period of no more than fifteen years, as follows:
  - ✓ Start-up enterprise  
Retirement in instalments beginning in the third year following the first commercial sales (if the funds generated permit),
  - ✓ Developing enterprise  
Retirement in instalments beginning in the third year following the investment.

## 7. Debentures/loans – Special provisions

- ↳ As a general rule, SODIM will require asset collateral or personal guarantees in exchange for all or part of its investment via the *Aquamere* fund;
- ↳ Following an analysis of the file, a loan may be converted into shares;
- ↳ Loans specifically for the acquisition, repair or replacement of major equipment are strictly reserved for enterprises in which SODIM has already had a share capital investment for at least three years;
- ↳ The notion of major equipment notably includes vessels, cranes, motors, and specialised equipment like declumpers, debyssers, scallop drills, etc. It also includes buoys and rearing structures (trays, cages, etc.). However, in contrast to the first items listed, the latter cannot be used alone as collateral for SODIM funding;
- ↳ The applicable interest rate is the prime rate posted by banking institutions or 4% (the higher of the two);
- ↳ Repayment will have to take place as follows (over a period of no more than ten years):
  - ✓ Start-up/developing enterprise  
Gradual repayment beginning in the third year following the first commercial sales,
  - ✓ Acquisition, repair or replacement of major equipment  
Gradual repayment (principal and interest), in monthly instalments, beginning in the month following SODIM's disbursement of the loan or when the equipment is received;
- ↳ No loans with terms shorter than 24 months will be granted via the *Aquamere* fund.

## **RECOVERY**

In cases where an enterprise fails to respect its obligations towards SODIM, the latter can do what is needed to bring the situation into order and, if applicable, will have recourse to all the mechanisms and legal procedures at its disposal to recover its investment.

## **PROFESSIONAL FEES**

SODIM will not charge any professional fees to analyse the files. Legal fees associated with SODIM investments will be paid by the promoters.

## **INVESTMENT APPLICATIONS AND ANALYSIS OF FILES**

- ✦ Any application for investment must be sent to:

Société de développement de l'industrie maricole (SODIM) inc.  
137-3 Rue de la Reine  
Gaspé (Québec) G4X 1T5

- ✦ The application must be accompanied by a business plan, the promoters' personal balance sheet, the financial statements for the last three fiscal years, if applicable, and budgetary forecasts for the next three years.

In the specific case where an application involves the acquisition, repair, or replacement of major equipment, the enterprise will have to provide pertinent information about said equipment (characteristics, bids from suppliers, insurance coverage, hypothecary loans, etc.) and show that it will be able to make its loan payments until the end of the loan's term.

- ✦ In the case of a new file, applications will be processed as follows: a notice of pertinence is issued by the SODIM board of directors, the application is analysed and recommendations are made by the relevant regional investment committee and finally, the board of directors renders its decision.
- ✦ In the case of enterprises with which SODIM already has a partnership, the notice of pertinence step is not required.

***SODIM reserves the right to modify or terminate this policy at any time and without prior notice.***