

Introduction

The Entrepreneur Loan Program is an initiative of the Province of Prince Edward Island designed to stimulate small business activity throughout the province. This program provides entrepreneurs with **up to \$50,000** for use as an investment in eligible new and expanding businesses. Loans are to be sourced through participating financial institutions and are fully guaranteed by Innovation PEI for the life of the loan, to a **maximum of five years**. Interest is charged at a floating rate of **prime plus two percent**.

In the case of students starting their own business for the summer months, assistance will be in the form of a \$3,000 loan guarantee that must be repaid by October 31 of the year in which the loan is made. Upon repayment of the loan, students will be eligible to receive a rebate from Innovation PEI equivalent to the interest paid on the loan.

Eligibility Requirements

1. The applicant must be a **resident of Prince Edward Island**, be 18 years of age or older (except in the case of students), and be **owner/operator** of the business. Student applicants must be enrolled in a high school, college or university program and intend to return to school in the fall. Students under 18 years of age may apply with an adult co-signor.
2. If the business is a partnership, each partner must be a co-applicant. For a corporation, each shareholder must be a co-applicant.
3. Applicants normally can only be assisted once under the Entrepreneur Loan Program. Exceptions to this apply to the student component of the program as well as to applicants who have been previously assisted under the program and who have subsequently paid off the previous loan(s).
4. Eligible businesses include those involved in **manufacturing, processing, services, wholesale, retail, franchise and resource-based industries** that, with the exception of tourism businesses, operate on a **full-time basis** (minimum of six months of operation).

Specific activities within these sectors which are considered **ineligible** include:

- professional services
- consulting
- real estate
- the growing, extraction and harvesting of any traditional resource-based products
- food and beverage services (where sufficient capacity exists)
- grocery/convenience stores (where sufficient capacity exists)
- personal services (where sufficient capacity exists)
- rentals (where sufficient capacity exists)
- trades, construction, contractors (where sufficient capacity exists)
- desktop publishing
- new or expanding tourism accommodations
- schools

5. Notwithstanding the above, certain sectors may from time to time be deemed ineligible for the program. This would occur when a particular sector has reached a point where further growth would be detrimental to existing businesses in that sector.
6. At the time of the loan approval, the applicant must make a cash equity contribution in the business equal to 15 percent of the loan. In the case of students applying under this program, the equity requirement is 10 percent and may be in cash or in kind.
7. If the cash equity contribution is borrowed, the assets of the business must not be pledged as security for that loan. Government loans/grants are not considered to be cash equity contributions.
8. If the applicant is applying under the expansion component of the Entrepreneur Loan Program, a clear expansion opportunity must be demonstrated and supported by the business plan. An expanding business must provide a copy of its latest corporate financial statements or, in the case of a sole proprietorship/ partnership, a copy of the "Statement of Business or Professional Activities" from its last Income Tax return. A "clear expansion opportunity" includes a project that has an incremental increase in sales volume and/or personnel as supported by the financial projections of the business plan. A case can be made in support of the diversification of products or services if the intent of the project is to maintain an equivalent number of jobs.
9. Working capital/cash flow financing will not exceed \$25,000. Funding for capital costs will only be disbursed upon the financial institution's receipt of paid eligible receipts.
10. Loan proceeds cannot be used to: finance transactions between related businesses or individuals; pay existing debts; purchase an existing business on an ongoing financial basis; purchase licensed motorized vehicles; or purchase rental properties.
11. The applicant and/or family members cannot own any similar business of which the new venture may be considered a natural extension.
12. Applicants are encouraged to meet at least once with their local Innovation PEI Business Development Officer before submitting an Entrepreneur Loan Application to their financial institution for approval. Contact information can be obtained from your financial institution or from Innovation PEI.

Borrower Requirements -- If your loan is approved, you are required to:

1. Obtain any necessary licences, permits and insurance required for your business and register the business in accordance with federal, provincial or municipal regulations (if applicable).
2. Commence your business within four weeks of loan approval. If the loan is approved for a business expansion, funds must be advanced within four weeks of loan approval.
3. Sign a loan agreement and/or personal promissory note. Each co-applicant will be responsible for full payment of the loan. In the case of a partnership or corporation, all partners or shareholders must sign the loan agreement and personal promissory note.

4. Open a business account with the lending branch of your financial institution and deposit the entire amount of equity investment and the proceeds of the Entrepreneur Loan into this account. Under the expansionary component, applicants are required to deposit the required cash equity into the business account.
5. A registration fee equal to 2.5 per cent of the amount loaned is due at the time of loan approval. This fee can be added to the loan up front and will be remitted to Innovation PEI by the financial institution. Page 3 of 8
6. Repay immediately the full amount of the outstanding loan if the business is sold or transferred during the term of the guarantee, or if demand for payment is made by the lending institution or Innovation PEI.

APPLICATION PROCEDURE

1. Complete the Entrepreneur Loan Program Personal Information Section. Complete the Entrepreneur Loan Program Business Plan Section or, for more detailed plans, prepare and attach your own business plan. The financial institution will require that a formal business plan be completed in support of the loan application.
2. Submit the completed application and business plan to a financial institution of your choice (Chartered Bank or Credit Union). The account manager of the financial institution will conduct an interview with the applicant to discuss the business proposal and terms and conditions of the loan.
3. Once the account manager has reviewed the proposal, interviewed the applicant and completed all necessary credit checks, he/she will contact Innovation PEI for a guarantee number.
4. Innovation PEI maintains a list of all applications, their account status and administers the payment of interest rebates for successful student applicants.

FOR MORE INFORMATION

If you have questions about eligibility requirements, borrower requirements, or the application process, please contact Innovation PEI. Innovation PEI specializes in providing one-on-one business advisory services. Our qualified staff can also provide information regarding most business development programs offered by government agencies across Prince Edward Island. Application forms and additional program information can be obtained from Innovation PEI.

A. PERSONAL INFORMATION SECTION

NOTE: Please ensure that all information is accurate. We may contact you to inform you of the status of your application or to obtain further information. **In the case of a partnership or a corporation, each partner or shareholder must complete a separate personal information section. INCOMPLETE PROPOSALS WILL NOT BE PROCESSED.**

Last Name: _____ First Name: _____ Middle Initial: _____

Date of Birth: _____ Civic Address: _____

Postal Code: _____ Telephone: _____ Fax: _____ E-mail address _____

Are you a Prince Edward Island resident? Yes: ___ No: ___ (If no, explain) _____

Are you a Canadian Citizen? ___ Landed Immigrant? ___ Other? (Please explain) _____

Are you eligible to work in Canada? Yes: ___ No: ___ (If no, explain) _____

Are you presently: Unemployed? ___ Full-Time Student? ___ Employed – where ? _____

Have you previously owned an active full-time business? Yes: ___ No: ___ (If yes, explain) _____

Do any members of your family own an interest in a similar business or a business which the proposed venture might be considered to be a natural extension thereof? Yes: ___ No: ___ (If yes, explain) _____

Have you or do you intend to apply for any other government programs? Yes: ___ No: ___ (If yes, explain) _____

EDUCATION

Type of School	School Name & Location	Year Attended		Field of Study or Area of Specialization	Type of Diploma, Certificate Obtained
		From	To		
Secondary	_____	_____	_____	_____	_____
Community College	_____	_____	_____	_____	_____
University	_____	_____	_____	_____	_____
Other (Specify)	_____	_____	_____	_____	_____

EMPLOYER HISTORY (Please provide details of your employment history.)

Employer Names & Addresses	Type of Work	Effective Dates	
		From	To
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

What will your role be in the business and how has your education and business experience prepared you for this role: _____

PERSONAL FINANCES

ASSETS

Cash \$ _____
Liquid Assets (Stocks, etc.) \$ _____
Real Estate \$ _____
Automobiles \$ _____
Other \$ _____

TOTAL ASSETS \$ _____

LIABILITIES

Mortgage(s) \$ _____
Credit Cards \$ _____
Loans (Auto, etc.) \$ _____
Loans - Other \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH (Total Assets minus Total Liabilities) \$ _____

Are there any judgments or legal proceedings against you? Yes: _____ No: _____ Details, including amounts: _____

Please list all sources and amounts of monthly income: _____

B. BUSINESS PLAN

The business plan is a written summary of what you hope to accomplish by being in business and how you intend to organize resources to meet your business goals. In essence, the business plan is a road map for operating your business and should be referred to in the future to measure progress along the way.

A well thought out and constructed business plan will invoke realism in the business planning process and provide the entrepreneur with a considerably higher chance of obtaining successful financing and/or investment. Please be sure to complete the Entrepreneur Loan Program Business Plan Section or prepare and attach your own business plan.

CERTIFICATION

I certify that all the information given by me in this application and accompanying business plan is true and complete, and that I have familiarized myself with the policies and guidelines of the Entrepreneur Loan Program as outlined herein.

I authorize the officers of this financial institution to make all necessary credit investigations and provide Innovation PEI with all relevant information.

I agree that Innovation PEI has the right to audit the records of my business during the guarantee period.

I understand that any false information given in this application and any accompanying materials may result in rejection of this application or immediate demand for repayment of the loan in full, together with any interest accrued thereon.

I authorize Innovation PEI to provide the lender with all the relevant information.

_____ Signature of Applicant	_____ Date
_____ Signature of Applicant	_____ Date
_____ Signature of Applicant	_____ Date

NOTE: Please remember to sign your application. In the case of a partnership or a corporation, each partner or shareholder must complete a separate personal information section.

PLEASE NOTE THAT APPLICATIONS UNDER THE ENTREPRENEUR LOAN PROGRAM MUST BE SUBMITTED TO ONLY ONE PARTICIPATING FINANCIAL INSTITUTION AT A TIME. CONCURRENT APPLICATIONS TO MULTIPLE PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT ALLOWED.

Applicants are encouraged to meet at least once with their local Innovation PEI Business Development Officer before submitting an Entrepreneur Loan Application to their financial institution for approval. Contact information can be obtained from your financial institution or from Innovation PEI.

**94 Euston Street
P.O. Box 910
Charlottetown, Prince Edward Island C1A 7L9
tel 902.368.6300 • fax 902.368.6301
business@gov.pe.ca • www.innovationpei.com**

BUSINESS PLANNING GUIDE

The following business plan outline is provided as a guide for completing a business plan. It is not meant to be all inclusive. Some areas may not be relevant to a particular type of business or a particular business situation. Financial institutions can also provide various tools like business planning guide software and hard copy format.

BACKGROUND

The purpose of the background section is to provide a lender/investor with a brief sketch of the business, its principals and professional advisors:

- Company name (include mailing address and phone/fax number)
- Nature of business (brief description of type of business, area of specialization, year, etc.)
- Legal form (sole proprietorship, partnership, limited company)
- Principals' names and share distribution (percentage share, positions held in company)
- Name of present banker (branch, type of accounts, if applicable)
- Lawyer's name (address and phone number, if applicable)
- Accountant's name (address and phone number, if applicable)

STATE BUSINESS GOALS AND OBJECTIVES

- Indicate the firm's mandate, business objectives and steps that will be taken to realize these goals.

MARKETING PLAN

- Description of product(s) or service(s)
- Target market (typical customer, buying patterns, wants and needs, average purchase amount)
- Size of total market (trading area, population, dollar value of market)
- Competition (competitors' methods, their market share, strengths and weaknesses)
- Competitive advantage of your business concept (uniqueness, your estimated market share)
- Pricing strategy (costing, markups, margins, break-even sales)
- Distribution strategy (sales to wholesale, retail, distributors, commissioned sales, etc.)
- Advertising and promotions strategy (media advertising, promotions, how to reach target market)
- Tracking methods (methods of confirming who your customers are and how they heard about you)
- Sales forecasts for next two years (dollar value of sales expected based on marketing plan)

MANAGEMENT AND HUMAN RESOURCE

- Background of key management personnel (active owners and key personnel)
- Contract professionals/consultants (outside assistance in specialized areas)
- Employees required (full-time, part-time, skills required)
- Labour availability (required training and identify trainer{s})
- Labour costs (wages, benefits deductions, training costs)

FACILITIES, EQUIPMENT AND INVENTORY

- Business location and size of premises (description, leased or owned)
- Expansion capability (space availability for future growth)
- List of fixed assets required (new or used, leased or purchased)
- Cost of facilities and equipment (estimates and quotations)
- Descriptions of production/service delivery process (not too technical)
- Capacity (maximum production, seating, hours, etc.)
- Any environmental concerns associated with the activity

FINANCIAL PLAN

- Program and financing (outline purpose of term loan, amount required, and owner's equity contribution)

Example:

Program		Financing	
Leasehold Improvements	\$10,000	Term Loan	\$20,000
Equipment	7,500	Owner's Investment	7,500
Working Capital	<u>15,000</u>	Private Investor	<u>5,000</u>
TOTAL	<u>\$32,500</u>	TOTAL	<u>\$32,500</u>

- Present financing - if applicable (summary of outstanding term and operating loans including purpose, amount outstanding, repayment terms and security held by lender)
- Financial statements - you may decide to hire accountant to prepare
 - (a) If existing business, provide balance sheets and income statements for past two years (if applicable)
 - (b) Projected income statements for next two years which should be supported by sales forecasts in marketing plan section
 - (c) Cash flow forecast (budget of cash inflow and outflow on a monthly basis for next 12 months of operation).

Entrepreneur Loan Program Business Plan Section

Please note that you are required to complete a business plan as part of your ENTREPRENEUR LOAN application. The business plan should be primarily viewed as a guide to researching and planning your new business. Keep in mind that a well-prepared business plan also serves to justify your business proposal to the lending officer of your financial institution.

A. Business Profile

Name(s) of Applicant(s)

Operating Name of Business

Civic Address of Business

Mailing Address (if different)

Telephone

(Residence) _____

(Business) _____

Form of Organization

_____ Incorporated

_____ To be incorporated

_____ Sole Proprietorship

_____ Partnership

_____ Other (specify)

NOTE: All partners or shareholders must complete the personal information section of the application.

Web site: _____

Email address: _____

TYPE OF OPERATION

_____ Manufacturing/Processing

_____ Tourism

_____ Retail (specify) _____

_____ Resource Sector (specify) _____

_____ Service (specify) _____

_____ Other (specify) _____

Your involvement in this business will be _____ Part-time _____ Full time

If part-time, explain how you will devote time to the management of the business.

Have you registered/started your business _____ Yes _____ No

If yes, indicate the date. _____

NOTE: If you have started, a current balance sheet must be provided as well as the cost and list of items purchased to date.

B. Objective

Description of business project

Products to be manufactured/services to be rendered

EMPLOYMENT	AT START-UP	BY YEAR 3
Part-time	_____	_____
Full-time	_____	_____
Skills Required	_____	_____

C. Financial

Summarize the sources of your funding and the uses. (You may need to complete the cash flow forecasts prior to completing this section.)

USES	SOURCES OF FUNDS	
Land	\$ _____	Entrepreneur Loan \$ _____
Buildings and/or Leasehold Improvements	\$ _____	Other Loans (specify) \$ _____
Machinery and Equipment	\$ _____	Applicant(s) Investment \$ _____
Other Capital Costs (specify) _____	\$ _____	Other Government Assistance \$ _____
Pre-Start-up Costs (specify) _____	\$ _____	Other (specify) \$ _____
Working Capital	\$ _____	Operating Credit Line \$ _____
TOTAL	\$ _____	TOTAL \$ _____

(These two columns should balance)

What is the amount of cash you are investing in the business? _____

What is the source of your contribution? _____ Savings _____ Bank Loan
 _____ Friend/Family _____ Other (specify)
 (If not savings, please provide details)

Itemize major proposed equipment, building and/or other capital expenditures.

ITEM	COST
_____	_____
_____	_____
_____	_____
_____	_____
	TOTAL \$ _____

D. Competition and Suppliers

Who are your competitors? Where are they located and how long have they been in business? Give an estimate of their size and scale of activity in your selected market area.

How do your products/services differ from your competitors? What are your advantages over your competition?

What is the price of your competitors' products/services? How do these prices compare to yours?

Who are your major suppliers, their credit terms and their location?

E. Customers and Markets

What are your markets? Where are your customers located? How many potential customers are in your targeted market? (Attach copies of market surveys where applicable)

What form of advertising will you use to inform your customers about your service or product? Have you included costs in your budget? _____

F. Pricing

Provide the unit sale price, and break down the direct costs of the material and labour relative to each of your products and/or services as follows:

DESCRIPTION

SALES PRICE:

_____ \$ _____

DIRECT COST:

Material _____ \$ _____

Labour & Benefits \$ _____

TOTAL \$ _____

Profit per item sold/service provided \$ _____

The attached opening balance sheet, income and expense statement forecast and cash flow forecast must be completed as part of this application as a minimum requirement.

Entrepreneur Loan Program Proforma Balance Sheet

ASSETS

	OPENING OR EXISTING	END OF YEAR
CURRENT ASSETS		
Cash	\$ _____	\$ _____
Receivables	_____	_____
Inventory	_____	_____
Prepaid Expenses	_____	_____
Total Current Assets	\$ _____	\$ _____
FIXED ASSETS		
Land	\$ _____	\$ _____
Building at Cost (Less Accum. Depr. of _____)	_____	_____
Machinery & Equipment (Less Accum. Depr. of _____)	_____	_____
Total Fixed Assets	\$ _____	\$ _____
TOTAL ASSETS	\$ _____	\$ _____

LIABILITIES & EQUITY

CURRENT LIABILITIES		
Bank Operating Line	\$ _____	\$ _____
Payables	_____	_____
Accruals	_____	_____
Current Term Debt	_____	_____
Total Current Liabilities	\$ _____	\$ _____
LONG TERM LIABILITIES	\$ _____	\$ _____
Term Debt	_____	_____
Postponed Loans	_____	_____
Deferred Taxes	_____	_____
Total Long Term Liabilities	\$ _____	\$ _____
EQUITY		
Share Capital	\$ _____	\$ _____
Earned Surplus	_____	_____
Grants	_____	_____
Other	_____	_____
Total Equity	\$ _____	\$ _____
TOTAL LIABILITIES & EQUITY	\$ _____	\$ _____

Entrepreneur Loan Program

Proforma Income & Expense Statement

	END OF YEAR 1	END OF YEAR 2
SALES	\$ _____	\$ _____
Cost of Sales		
Inventory Opening	\$ _____	\$ _____
Plus Purchases	_____	_____
Less Inventory End of Year	_____	_____
Equals Cost of Sales	\$ _____	\$ _____
GROSS PROFIT	\$ _____	\$ _____
EXPENSES		
Rent - Premises	\$ _____	\$ _____
Rent - Equipment	_____	_____
Wages & Benefits	_____	_____
Professional Fees (Accounting, etc.)	_____	_____
Legal	_____	_____
Utilities (Heat, Electricity, Water)	_____	_____
Telephone	_____	_____
Repairs & Maintenance	_____	_____
Business Licenses, Taxes & Permits	_____	_____
Insurance	_____	_____
Vehicle	_____	_____
Freight & Express	_____	_____
Travel	_____	_____
Advertising & Promotion	_____	_____
Office Supplies & Postage	_____	_____
Bank Charges	_____	_____
Interest	_____	_____
Other Expenses _____	_____	_____
Bad Debts Written Off	_____	_____
Depreciation and/or Capital	_____	_____
Cost Allowance	_____	_____
Buildings	_____	_____
Machinery/Equipment	_____	_____
Vehicles	_____	_____
TOTAL EXPENSES	\$ _____	\$ _____
NET PROFIT FOR YEAR		
(Before Tax & Drawing)	\$ _____	\$ _____

