



# Business Financing Opportunities with Nunavut Credit Institutions

- ▶ Who is NBCC
- ▶ Who are the other Nunavut Credit Institutions
- ▶ What can Nunavut Credit Institutions do for a business

# Who is NBCC?

- Nunavut Business Credit Corporation (NBCC) is a Territorial Corporation of the Government of Nunavut (GN)
- The *Nunavut Business Credit Corporation Act* provides the legislative framework by which NBCC operates
- A Board of Directors appointed by the Minister Responsible for NBCC provides corporate governance

# Minister responsible

The Honourable Monica Ell-Kanayuk is the Minister Responsible for Nunavut Business Credit Corporation.



# Board of Directors

- There must be no fewer than seven directors and not more than twelve directors
- Terms must not exceed three years
- Members of the Board are appointed by the Minister responsible to reflect a cross-section of related backgrounds and the three regions of Nunavut

# Board of Directors continued...

1. Chairperson – Marg Epp – Cambridge Bay
2. Vice Chairperson – Elijah Evaluarjuk – Igloolik
3. Donald Havioyak – Kugluktuk
4. Tracy Wallace – Rankin Inlet
5. Tommy Owlijoot – Arviat
6. Allan Lahure – Baker Lake
7. Greg Cayen – Iqaluit

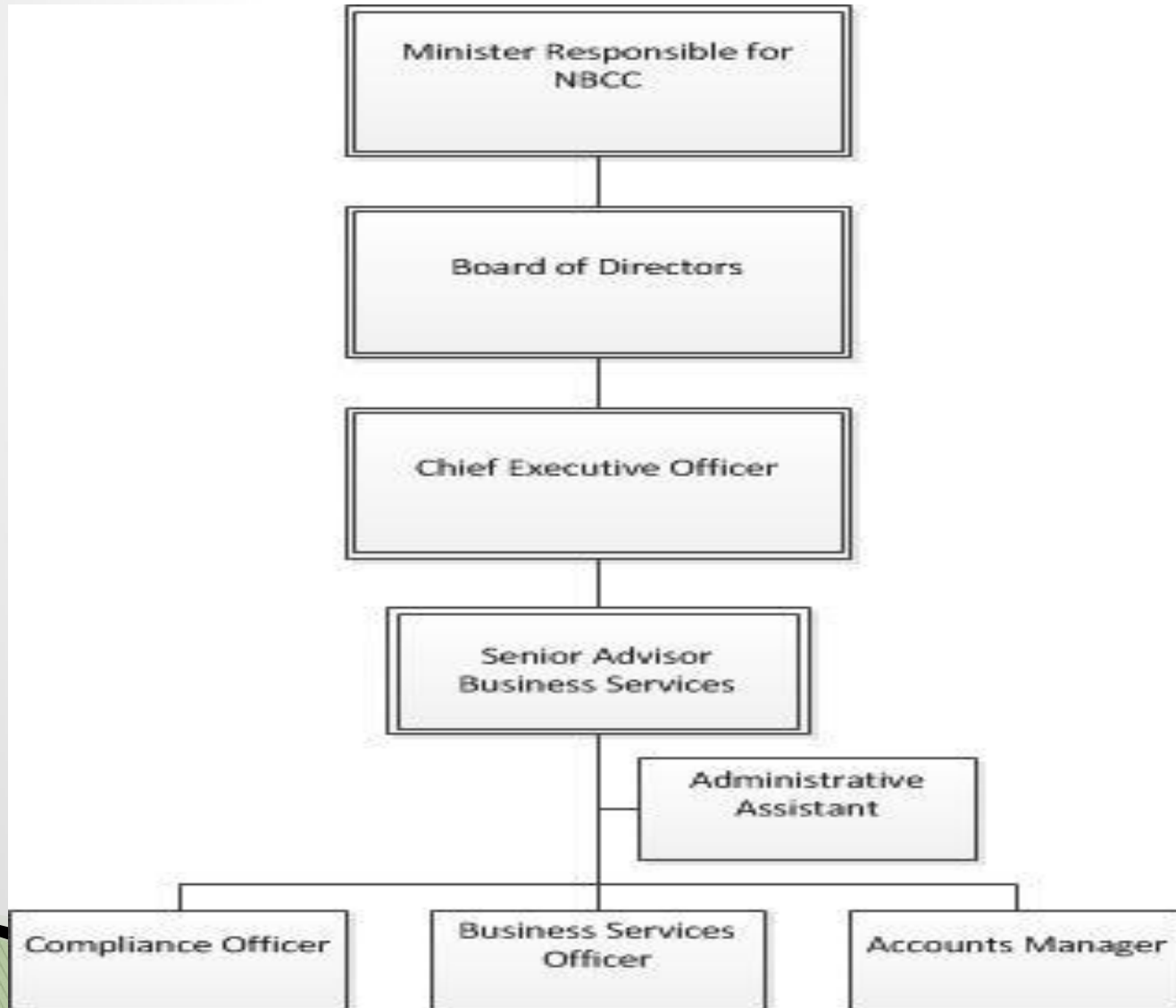
Many of the members of the Board have served multiple terms

# Board of Directors continued...

The Board of Directors has three Board committees that are established to ensure:

- Effective policy and business planning
- Accurate financial reporting and audits
- Accountable credit facility management

# Accountability Chart





# Our Vision

NBCC is the Lender of Northern  
Opportunity

# Our Mandate

- Function as an agent of the GN to stimulate economic development and employment in Nunavut by supporting, financing, and investing in resident business enterprises.

# How much capital does NBCC have access to

- NBCC's legislation allows NBCC to access up to \$50 million in a "working capital advance from the GN"
- Currently, the Financial Management Board has set 40 million as the "working capital advance from the GN"
- Of this amount, NBCC has utilized \$25 million

# How does this compare to other Nunavut Credit Institutions

- ▶ Atuqtuarvik Corporation started with a \$50 million endowment from Nunavut Trust, which eventually increased to \$70 million
- ▶ Baffin Business Development Corporation has an investment fund valued at \$6 million

# Who can borrow from NBCC

- ▶ NBCC's legislation states that NBCC can:
  - ❖ make loans to or guarantee loans made by financial institutions to business enterprises; and
  - ❖ provide bonds and indemnify bonds provided by bonding companies to *resident* business enterprises

# What is a business enterprise

continued...

- ▶ An enterprise that is carrying on business in Nunavut that is:
  - ❖ a company or corporation registered or incorporated under the Business Corporations Act
  - ❖ a co-operative association registered or incorporated under the Co-operative Associations Act

# What is a business enterprise

continued...

- ❖ a partnership for which a declaration is registered under the Partnership Act
- ❖ a corporation incorporated under Part II of the Canada Corporations Act and commonly known as a community futures organization
- ❖ an individual

# What is a resident business enterprise

- ▶ An enterprise carrying on business in Nunavut that is:
  - ❖ a company or corporation registered or incorporated under the Business Corporations Act, the majority of the shares of which are owned by a resident or another resident business enterprise or both



# What is a resident business enterprise continued...

- ❖ a co-operative association registered or incorporated under the Co-operatives Associations Act, the majority of the shares of which are owned by a resident or, where the co-operative was incorporated without share capital, the majority of whose members are residents
- ❖ a partnership for which a declaration is registered under the Partnership Act, the majority of whose partners are residents or other resident business enterprises or both

# What is a resident business enterprise continued...

- ▶ a resident, which is defined as a person who has ordinarily resided in Nunavut for at least three years including any temporary absence from Nunavut which, in the opinion of the Board, Minister, manager or lending officer, should not deprive the person of his or her status as a resident

# What does this mean

- ▶ The legislation was inherited from the GNWT on division on April 1, 1999 and needs to be updated.
- ▶ The GNWT updated its legislation and amalgamated the business development arm and business investment arm in 2005
- ▶ Basically, as long as a business, in whatever legal form, is carrying on business in Nunavut, the business can borrow money from NBCC

# What does this mean continued...

- ▶ The legislation does not currently include companies or corporations incorporated under the Canada Business Corporations Act, but NBCC provides loans to these businesses nonetheless
- ▶ For bonds, which means bid bonds, performance bonds, or labour and material payment bond, a business, in whatever legal form, needs to have the majority of its owners resident in Nunavut

# What does this mean continued...

- ▶ The distinction between loans and bonds in terms of *resident* business enterprise was likely made to stimulate and encourage a construction sector
- ▶ NBCC doesn't do many bonds – only one currently
- ▶ NBCC had one loan guarantee on its books, which was collapsed in January 2017

# Types of Products

- Loans, basically are credit facilities as follows:
  - ❖ Term loans
  - ❖ Lines of credit
- Loan guarantees
- Bonds and indemnify bonds
  
- Business development advisory services (i.e. valuations, accounting, etc.)

# Approach

NBCC's approach is to help Nunavut businesses, residents, and communities by:

- Supporting emerging entrepreneurs with the establishment of new businesses
- Supporting expansion of existing businesses
- Collaborating with funding agencies and business support organizations
- Provide financial services that are not available through traditional banking channels in communities

# Other Nunavut Credit Institutions

- ▶ Community Futures Organizations (MOUs)
  - Baffin Business Development Corporation (MOU)
  - Kivalliq Business Development Centre
  - Kitikmeot Community Futures Inc. (MOU)
- ▶ Nunavut Development Corporation (sister territorial corporation)
- ▶ Atuqtuarvik Corporation (MOU)
- ▶ Regional Inuit Association business development organizations (i.e. Kakivak Association)



# Other Nunavut Credit Institutions

continued...

- ▶ First Nations Bank of Canada
- ▶ Business Development Bank of Canada
- ▶ CIBC
- ▶ RBC
- ▶ CANNOR
- ▶ AANDC

# Lending Parameters

- Maximum level of support to any one business enterprise or to any related business enterprises is \$1 million
- The minimum amount that NBCC will support is \$150,000
- Should an applicant wish to borrow less than this amount, NBCC will provide the applicant with the names of other lending organizations (partnerships) that would better fit its needs

# Lending Parameters continued...

- Maximum term for credit facilities is five years
- Amortization ranges in years, depending on the type of security being pledged, to a maximum of 25 years.

# Lending Parameters continued...

- NBCC provides competitive interest rates by lending funds at its “cost of borrowing”, plus a “risk ranking” of between 0 to 5 points.
- Cost of borrowing is the average selected Government of Canada three-year benchmark bond yields at month end, which has ranged from 0.51% to 0.92% in the 2016/2017 fiscal year.
- The risk ranking is based on the risk that may be involved with a specific credit facility.



# Types of Projects Considered

- Purchase of fixed assets, such as buildings, equipment, and furniture that belong to the business
- Leasehold improvements, renovations, and expansion

# Types of Projects Considered

continued...

- Consolidation of debt
- Bid bond security for contractors to facilitate their ability to be competitive during the tendering process
- Working capital for inventory acquisition, such as sea lift purchases
- Interim or bridge financing

# Sectors/Industries

NBCC endeavours to support all sectors of Nunavut's economy to support Nunavummiut participation in Nunavut's economic development process

NBCC analyses sector opportunities to identify viable businesses that can be supported by NBCC's financial services and credit facilities



# Sectors

NBCC has supported the following types of businesses:

1. Communication
2. Construction
3. Media
4. Financial
5. Fisheries
6. Hospitality
7. Real Estate
8. Retail
9. Service
10. Transportation
11. Specialized service businesses (i.e. UAV or something in the mining sector)

# Supporting All Communities

- NBCC is interested in ensuring all communities have equal access to obtaining credit facilities
- NBCC works with communities, industry, and funding organizations on community outreach
- Over the years, NBCC has provided credit facilities to businesses in almost every community in Nunavut. Any viable business from any Nunavut community is eligible to apply
- Currently, have credit facilities in eleven communities

# Mandatory Requirements

To be eligible to apply a business must:

- ▶ *Be a Nunavut based business enterprise*
- ▶ *Be able to provide a minimum of 10% equity*
- ▶ *Be prepared to provide security on the credit facility.*

# Mandatory Requirements continued...

Security is a requirement for all financing consisting of a combination of:

- Collateral mortgage on real property
- pledge on personal property
- personal/general guarantee from the principals of the business enterprise
- assignment of revenues/contracts

# Loan approval

- The Board Directors can approve credit facilities up to \$500,000 and can recommend to the Minister responsible loans over \$500,000

# After-Service

- Communicate regularly on business progress, reporting requirements, and annual reviews
- Keep NBCC updated on how well the business is growing (or not)!
- Assist businesses to graduate from NBCC to becoming “bankable”

# Statistics

- ▶ As of March 31, 2017, NBCC has 52 clients
- ▶ 25 have Inuit Owned Firm status with NTI
- ▶ 19 Have NNI owned firm status with the GN
- ▶ 12 have both IOF and NNI status
- ▶ There are 59 credit facilities (several clients have more than one type of credit facility)
- ▶ The portfolio balance is approximately \$25 million dollars as of March 31, 2017

# Questions / Comments

➤ Our website is:

[www.nbcc.nu.ca](http://www.nbcc.nu.ca)

➤ Copies of the 2015/2016 Annual Report are available in all languages