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Aboriginal Business Canada

You & Your Letter of Offer

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ABORIGINAL BUSINESS CANADA
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Congratulations! You have now received your Letter of Offer—the confirmation that Aboriginal Business Canada (ABC) has approved funding for your business venture. The Letter of Offer is the document that outlines the commitment from Industry Canada’s Aboriginal Business Canada program to you and to your business project. We sometimes refer to the Letter of Offer as the Contract, Contribution Agreement or Agreement. This sets out all of the conditions for the financial assistance you will receive from us.

There are seven sections to every Letter of Offer. Each section covers a particular aspect of your project. The seven sections show the following details:

- ▶ description of your business opportunity or business project;
- ▶ listing of the agreed costs and financing of your business project;
- ▶ specific identification of the contribution to be provided by Aboriginal Business Canada;
- ▶ conditions that must be met to receive a payment from Aboriginal Business Canada;
- ▶ time frames and conditions that must be met over the duration of your project;
- ▶ conditions that may result in the cancellation of the Letter of Offer; and
- ▶ conditions needed to satisfy legal requirements set by the Government of Canada and ensure public monies are spent in keeping with government guidelines.

Each Letter of Offer identifies what Aboriginal Business Canada will provide in financial support, and also identifies the requirements to be met in order to receive that support. You must understand what you are agreeing to in your Letter of Offer to ensure proper processing of your claim later on.

The information below is intended to assist you in understanding your Letter of Offer.

► **First things first – the administrative details**

When you receive your Letter of Offer, you should ensure that your name and address are correct. If they are not correct, do not sign the document, but contact your Development Officer to arrange the necessary changes, then return the original copy to ABC. Aboriginal Business Canada will reissue the document.

Aboriginal Business Canada assigns a reference number to each project. In some cases, reference numbers are assigned to specific components of a project. These numbers are always listed on the top right-hand corner of the first page of your Letter of Offer. Always refer to these numbers when contacting or corresponding with ABC about your project. You will also need to provide these numbers when you submit a claim, or if you require an amendment to your Letter of Offer.

Finally, on the administrative side, the opening paragraph of your Letter of Offer provides a date by which one copy of the document must be signed and mailed back to Aboriginal Business Canada. Original signatures are required, not photocopies or facsimiles. The due date is usually 30 to 45 days from the date of issue. **If you do not sign and return your Letter of Offer by the due date, your Letter is no longer valid and you must reapply to Aboriginal Business Canada.**

► **Section 1 Description of the project**

This section of your Letter of Offer is simply a brief outline of your proposed project. It is generally limited to three or four lines that describe the scope and purpose of your project.

► **Section 2 Budgeted costs and financing**

One side of the table in this section shows your **projected costs** as outlined in your Business Plan. It identifies which costs are eligible for Aboriginal

Business Canada assistance and which are not. It identifies your overall budget, project-by-project, item-by-item, and what cost amounts have been assigned for each. When reviewing your document, ensure that no costs have been omitted and that all of the figures are accurate. If they are not, please contact your Development Officer.

The other side of the table shows how you are going to finance the costs. It identifies all sources of financing and details the amount from each. Of particular importance to you is the financing that is referred to as **Applicant Contribution**. This is the cash investment that you must bring to the project, free and clear of any encumbrances. When reviewing the financing section, ensure that all amounts are accurate and that the organizations assisting you with your project are correctly named. If they are not, please contact your Development Officer.

► Section 3 Aboriginal Business Canada contribution

This section states the amount of Aboriginal Business Canada contributions as shown in Section 2. It clearly illustrates how much money the program has committed for your project and the percentage of your eligible costs. Note that the dollar figures will match those identified in Section 2.

The second last line of this section reads: *"If your eligible costs are less than projected, our contribution will be less than \$[X]."* This means that we will contribute money only to the percentage of costs that have been identified as eligible. **It is important to realize that you will be paid a percentage of the costs you actually incur, not necessarily the maximum dollar figure that is stated in the Letter of Offer.**

The last line of this section reads: *"However, the maximum amount of money we will contribute is \$[X]."* This means that if you exceed your projected budget, Aboriginal Business Canada will contribute only to the maximum dollar figure that has been identified. You are responsible for finding other means of paying

for cost overruns. It is therefore very important for you to make every effort to remain within the budget that you have proposed in your Business Plan.

► **Section 4** **To receive a payment**

This section identifies the conditions you are required to meet, at various stages, to receive a payment from ABC, as well as the supporting documents you will need to provide. There can be a number of conditions placed on your initial payment. Each must be read carefully to ensure that you understand them. If you do not understand any of the conditions, please contact your Development Officer for clarification. Some of the more common conditions are as follows:

► **Evidence that you have contributed cash equity of \$[X] to the project.**

You must provide a bank statement showing that you have \$[X] available to spend on your business project and that this money has been deposited into a business account. This statement should be forwarded to your Development Officer.

► **Evidence that all other sources of financing and/or funding have been authorized on terms and conditions satisfactory to Aboriginal Business Canada.**

If there is another loan component or another contribution identified in Section 2, you must forward a copy of the signed agreements to your Development Officer. If you find yourself in a situation where your financing has significantly changed from that in your Business Plan, you should discuss this with your Development Officer before signing the Letter of Offer. For example, if your Business Plan indicates a term loan at 7 percent interest and you provide documentation for a term loan at 15 percent interest, this discrepancy may affect the viability of your operation and could affect the contract we have with you.

► **Completed claim forms that list your eligible costs and include all information and supporting documentation.**

To receive a payment, you must submit a claim for payment. A pamphlet entitled *You and Your Claim for Payment* and on-line information are available to help you. Included with your Letter of Offer are the forms that are to be filled out. All of the conditions in this section must be satisfied before your first Claim for Payment can be processed.

► **Evidence that adequate insurance has been obtained to protect the assets of the business.**

This means that you must insure all of the business assets that have been acquired with Aboriginal Business Canada assistance. You must also forward a copy of your insurance policy to your Development Officer.

Finally, the line that reads: *“Please note that we will not pay you more than 90 percent of your contribution until you finish your project,”* indicates that Aboriginal Business Canada is required to hold back 10 percent of the contribution until we are sure that the project is fully completed and that all of the bills have been paid. Your Development Officer will keep you informed of any additional information that may be required to release the final 10 percent.

► **Section 5**
Important dates
and your obligations

You must observe the following deadline dates in order to fulfill your obligations. You may find it helpful to create a project calendar to ensure that you do not miss these deadlines.

5.1 Effective Date – This is the official start date of your project. Any costs incurred, i.e., purchases or commitments made for this project prior to this date are not eligible to be covered by Aboriginal Business Canada assistance and will not be considered when you make a claim. In other words, you must wait until this date passes before you start to commit or spend money.

5.2 Letter of Offer Return Date – This date indicates when the signed Letter of Offer must be returned to Aboriginal Business Canada.

5.3 Project Completion Date – This is the date by which your project is expected to be completed. Your Development Officer will refer to this date as your Completion Date. If your project is not on schedule and will not be complete by this date, please contact your Development Officer as soon as possible because any money spent after this date is not considered eligible for our assistance.

5.4 Monitoring Period – Your project will be monitored by Aboriginal Business Canada for a specified period. For the duration of the monitoring period, you must comply with the conditions in the Letter of Offer. During this time, you may also be required to submit annual financial statements or business performance reviews.

5.5 Contract Expiry Date – This is the date when all of your obligations pertaining to this Letter of Offer end. Note that these obligations remain in effect until all of the necessary monitoring information has been received by ABC.

► **Section 6** **Other important terms of this agreement**

This section identifies the conditions that constitute a default of this contract. If you are found to be in default of your contract, any amounts that have been paid up to that point must be repaid with interest. If you think you may not have fulfilled one or more of these conditions, or do not understand any of these conditions, please contact your Development Officer.

► **Section 7** **General conditions**

This section identifies your obligations throughout the contract period. For example, you must maintain your equity investment in your business. You are required to provide reports to Aboriginal Business Canada at regular intervals. Aboriginal Business Canada reserves the right to audit any records and accounts pertaining to your project. If you do not understand any of these conditions, please contact your Development Officer.

This section also identifies what you are not allowed to do under the conditions of this agreement without first getting approval from Aboriginal Business Canada. You cannot sell assets that were acquired with Aboriginal Business Canada assistance, you cannot change the ownership of your business and you cannot transfer the contribution agreement to anyone else. If you do not understand any of these conditions, please discuss them with your Development Officer.

Section 7 also includes the conditions that are a part of every Aboriginal Business Canada contribution.

You must declare that:

- ▶ you have ensured that all environmental concerns have been identified and you will abide by federal and provincial laws as they apply to environmental protection;
- ▶ you are not an elected official of the Government of Canada;
- ▶ this is not a partnership between you and Aboriginal Business Canada and you are responsible for the successful implementation of this project; and
- ▶ you agree to a public announcement of your project, and will include Industry Canada in any public events, openings, announcements, etc. related to your project, and will inform Aboriginal Business Canada no less than two weeks prior to that event.

▶ Final step

Once you are fully satisfied that you understand this document and the conditions contained in it, you can sign, date and return one copy of the Letter of Offer to Aboriginal Business Canada.

For further information, please visit our Web site (abc-eac.ic.gc.ca), or contact your Development Officer.

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