FINDING FUNDING

Ten steps to meet your financial needs

Discover our true nature

Canadian Tourism Commission

Commission canadienne du tourisme

Canada

Finding Funding:
Ten steps to meet your financial needs

Prepared for the:

Canadian Tourism Commission

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Canadian Tourism Commission

The Canadian Tourism Commission (CTC) is Canada's national tourism marketing and information organization. It is a unique public- and private-sector partnership that provides an innovative approach to tourism—an approach that is industry led, market driven and research based. Recognizing that the greatest source of tourism knowledge and expertise rests with the tourism industry itself, the Commission designs, delivers and funds marketing, research, industry- and product-development initiatives in partnership with industry associations, provincial and regional tourism associations, government agencies, hoteliers, tour operators, airlines, attractions managers and many others.

Tourism-based businesses of all types are encouraged to become a partner in the CTC. Partnership with the CTC holds many attractive benefits. CTC advisory committees and staff prepare and plan marketing activities and projects that provide attractive opportunities for industry partners. Through its Web site, meetings and mail-outs, the CTC solicits the industry's interest in these marketing and project opportunities on an ongoing basis. Tourist operators interested in sharing their marketing ideas and proposals are encouraged to contact the CTC.

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Note: To help us serve you better, it is important that the Canadian Tourism Commission receive your comments on this publication. An evaluation form is posted on our Web site at www.canadatourism.com under Programs/IndustryRelations/Publications. We also invite your comments and interest in attending seminars on obtaining funding for small and medium-sized tourism businesses.

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Introduction

Tourism is one of the world's important economic sectors. In Canada, as one of the top 12 economic generators, tourism makes an extremely valuable contribution to the economic well-being of Canadians, as it generates more than $50 billion to the economy each year and more than $20 billion to the Gross Domestic Product.

The tourism sector is really an amalgam of parts of more than 50 traditional industries, composed of approximately 158,000 business establishments, contributing over half a million jobs in 80 tourism-related occupations in transportation; accommodation; food and beverage services; travel services (including travel agencies and tour operators); and recreation and entertainment.

As important as this sector is, it can prove difficult for tourism operators to obtain financing. It can be a challenge to argue that an investment proposal offers strong opportunities and that an investor's decision to finance the proposal represents a sound business opportunity. Yet whether an operator is starting, expanding or modernizing a tourism business, securing adequate financing is critical to long-term business success. Tourism operators know that to stay competitive, the quality of their products and services must be maintained, if not enhanced, continually. They realize more than anyone else that tourists are always seeking new experiences and products.

The financing requirements of small and medium-sized tourism businesses vary from a substantial amount of money for the purchase of a new property to relatively small amounts of working capital to help fund marketing efforts. Studies commissioned by the Canadian Tourism Commission reveal that, over the past several years, tourism operators in all regions of Canada have experienced particular difficulties in obtaining financing from traditional lending institutions—a struggle that is amplified when there is an economic slowdown or repercussions from major international events affecting travel. Ironically, tourism operators report as much frustration in requesting small amounts of money to finance day-to-day operations or marketing efforts as in requesting larger amounts to purchase major capital assets or renovate buildings.

This guide is designed for tourism operators whose businesses require financing and who would like assistance in approaching a loaning institution or agency. It is a stand-alone document, but also a companion piece to six other guides and financial planning spreadsheets published by the CTC: *The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector.*

In revising and expanding this guide—now in its third edition—the Canadian Tourism Commission has worked to simplify the subject matter and put in place a step-by-step, user-friendly approach for all users. Specifically, this guide provides:

- Information on how to analyze financing requirements and present them to an investor or lender;
- Information on where and how to seek financing, including suggestions on some creative financing strategies;
- Information on the types of financing available and the characteristics of each;
- Guidelines for preparing a successful investment proposal; and
- A list of sources of financing.

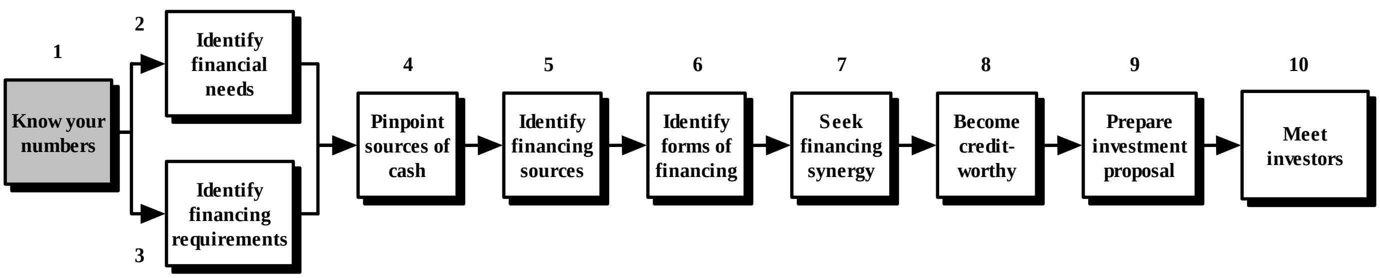
The guide is divided into two parts. Part I outlines a 10-step process tourism operators can follow to increase their chances of being offered a loan, along with descriptions of various sources of financing and types of financing packages available to tourism operators. Part I also includes suggestions on the basic structure and content of an investment proposal.

Part II contains a detailed, though not exhaustive, list of federal, provincial, territorial and other agencies and institutions that have financing programs, including a description of the types of financing and contact information for each program.

Part I:

Before preparing an investment proposal and approaching investors, tourism operators must take several fundamental financing steps. As tourism operators, knowing your numbers, identifying your financial needs, identifying your financing requirements, and pinpointing where your cash will come from are all critical prerequisites.

Step 1: Knowing Your Numbers



Investors have more confidence in business operators who comprehend the financial impact of their decisions. Like an airline pilot reading instruments and adjusting a plane's flight path with a destination clearly in mind, a tourism operator who knows how to read financial statements can readily draw meaningful conclusions and make more effective decisions on the direction of a business.

When business decisions lead to an investor's doorstep, the language spoken must be the investor's language of business—accounting and finance. The more that tourism operators speak that language, the easier it will be for them to explain their financial needs and financing requirements, and convince lenders and stakeholders that an investment opportunity has real potential. It is not sufficient to leave financial concerns entirely to accountants. They can be relied on for expert input and advice, but a tourism operator is the "pilot" of the business—the one ultimately responsible for business decisions and outcomes.

Essentially, a tourism operator must know how to read financial statements: the income statement and the balance sheet. (Other CTC publications—*The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector g*uides—address in detail how to read, interpret and use financial statements.) Fortunately, there is nothing mysterious about financial statements. (The basic structures of financial statements are presented in *Illustration 1*.)

ILLUSTRATION 1 –FINANCIAL STATEMENTS

INCOME STATEMENT (ELEMENTS)

Net sales revenue
Cost of sales
Gross margin

Operating expenses
Selling expenses
Administrative expenses
Depreciation
Total operating expenses

Operating income
Other: interest income/interest charges

Income before taxes
Income taxes

Income after taxes (profit)

BALANCE SHEET (ELEMENTS)

Assets	**Liabilities**
Current assets	Current liabilities
	Long-term debts
Capital assets	Total liabilities
Intangible assets	**Shareholders' equity**
	Capital shares
	Retained earnings
	Total shareholders' equity
Total assets	Total liabilities and shareholders' equity

The *income statement* shows three categories of information: ***sales revenue, expenses and income after taxes (or profit).*** There are four levels of profitability: gross margin, operating income, income before taxes and income after taxes. Tourism operators should be able to assess the impact that a new loan will have on their profit performance.

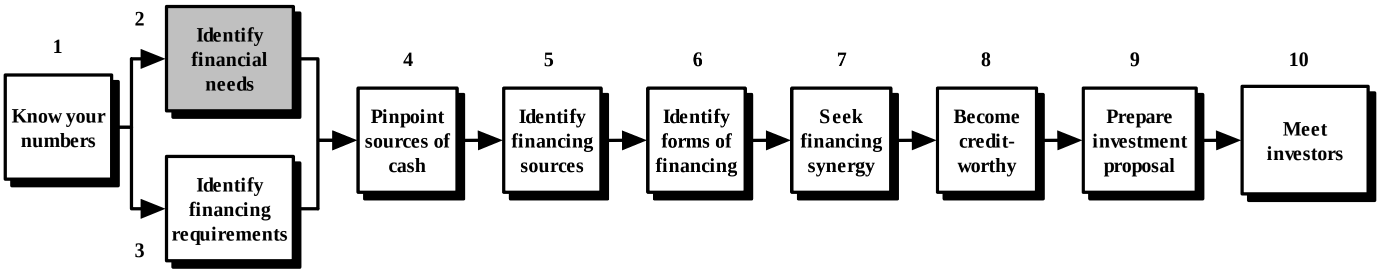
The right side of *Illustration 1* portrays the *balance sheet*. This financial statement shows what a business owns—its assets and the funds that have been injected into the business by investors to buy these assets. There are two groups of investors: lenders (shown as liabilities) and shareholders (shown as equity). Equally important, tourism operators must demonstrate that there is enough collateral (or assets) to protect a lender's interests in the event of business bankruptcy.

There are several noteworthy relationships among the numbers on financial statements. For example:

- The current performance measure (relationship between current assets and current liabilities) shows whether a tourism operator will be able to pay the company's current bills on time.
- The debt-coverage performance measure (relationship between debts and total assets) shows whether a tourism operator has enough guarantees or collateral to satisfy investors in the event of business bankruptcy.
- Coverage performance measure (relationship between profit and interest charges) shows whether a tourism operator has enough profit to service the company's debt.
- Average collection period (relationship between accounts receivable and sales revenue) shows how well a tourism operator manages the company's accounts receivable, including the aging of these accounts.
- Return on sales (relationship between profit and sales revenue) shows how much profit a tourism operator has left to reinvest in the business, pay dividends and reduce the principal on the company's debt.

In addition, when making important capital decisions, tourism operators must be able to analyze company investments with reliable capital budgeting yardsticks to predict with some certainty, for instance, whether a project is likely to generate a higher rate of return than the cost of the borrowed funds. (*Decision-making Tools for Canada's Tourism Operators*, guide four of *The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector*, explains some of the more critical decision-making tools that can be used to determine the economic viability of capital projects.)

Step 2: Identify Your Financial Needs



Obviously, investors need to know precisely how much money is needed and for what specific purpose. Businesses have four broad categories of financial needs: operating expenses, working capital, capital assets and intangible assets.

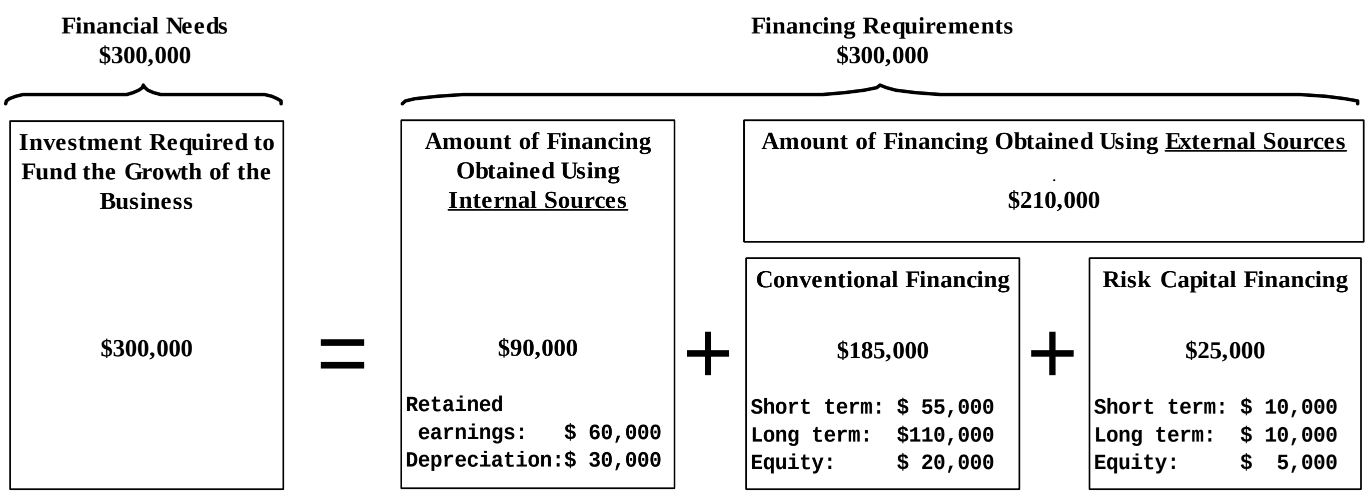
Operating expenses: an operating loan will pay for ongoing activities such as meeting payroll during a slowdown in sales activities or paying for an advertising program or brochure.

Working capital: a working capital loan is used to finance current assets such as accounts receivable or inventory, or to finance normal business growth such as attracting new customers or increasing sales to existing customers.

Capital assets: financing will be used to purchase physical assets. For example, a term loan finances a vehicle or equipment while a mortgage finances a building.

Intangible assets: financing will be used to develop an idea or design a logo or trademark, etc.

ILLUSTRATION 2: FINANCIAL NEEDS AND FINANCING REQUIREMENTS



The left side of *Illustration 2* shows a tourism operator's *financial needs* ($300,000) to finance business growth. These needs could consist of:

1. Marketing costs, including a brochure
   $10,000

2. Working capital, including accounts receivable
   $75,000

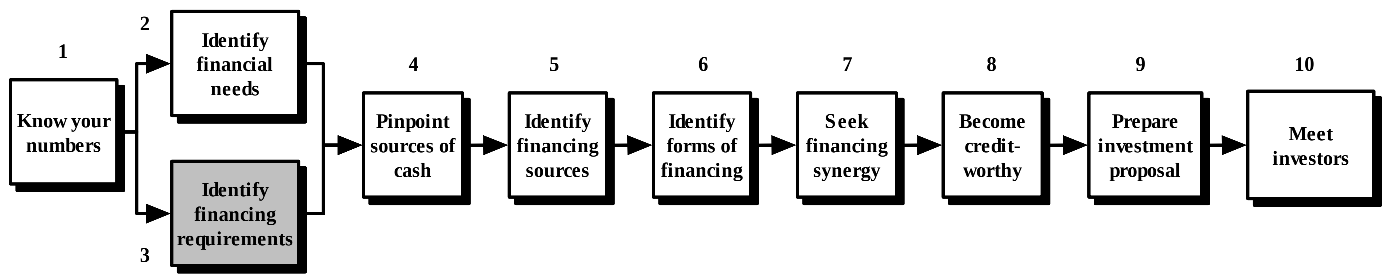
3. Capital assets, including equipment, fixtures and computers
   $205,000

4. Intangible assets, including logo and trademark
   $ 10,000

Total $300,000

Simply making a list of needs, however, is not enough; investors want to know the assumptions that have been made to arrive at these numbers and have access to supporting documents that show the basis for these numbers. Credibility comes if a supplier gives a written estimate of costs, for instance, to design and print a brochure or acquire equipment. Any calculations made to arrive at needs are also useful to take to a lending institution.

Step 3: Identify Your Financing Requirements



The right side of *Illustration 2* shows the various sources of funds for a tourism operator. These funds are known as *financing requirements*, or the amount of funds needed, and the source where each will come from, to finance the $300,000 financial needs. Here we are dealing with financing sources such as banks, and forms of financing such as lines of credit.

The composition of these various sources and forms of financing could also be shown as: $90,000 from internal sources (cash from operations) and $210,000 from external sources (lenders and shareholders). The $300,000 worth of financing requirements can then be broken down as follows:

A. Internal sources			
1. Retained earnings		$60,000	
2. Depreciation		30,000	
Total internal sources			90,000
B. External sources			
1. Short-term debt			
• Conventional	55,000		
• Risk capital	10,000		
		65,000	
2. Long-term debt			
• Conventional	110,000		
• Risk capital	10,000		
		120,000	
3. Equity			
• Shareholders	20,000		
• Risk capital	5,000		
		25,000	
Total external sources			210,000
Total financing requirements			$300,000

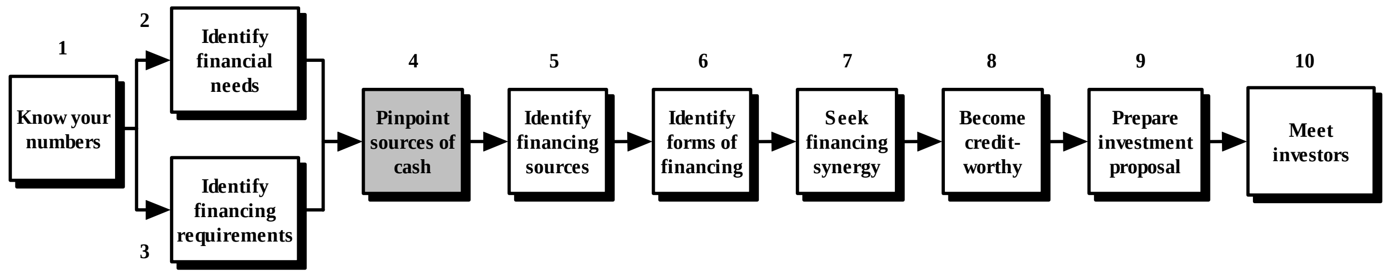
Before examining a detailed list of sources and forms of financing (Steps 5 and 6 of this guide), let us consider how a tourism operator can finance a company's growth, and how these financing requirements can be classified. It is important to note that a tourism operator does not have to obtain financing from all the sources noted above. This breakdown shown here is hypothetical for the purpose of illustration. Financing requirements can be broken down in many different ways. The next several paragraphs give a brief description of the various broad financing requirement components.

- **Total financing requirements: $300,000.** As shown in *Illustration 2*, sources of funds can first be split under internal sources and external sources. *Internal sources*—income after taxes (profit) and depreciation—are funds a business can generate from its own operations. Here we have an amount of $90,000. *External sources* are funds obtained from investors. As shown, this amounts to $210,000 or 70 per cent of total financing requirements. The higher the proportion of funds obtained from internal sources the better, since less new money will be required from external sources.
- **Total external sources: $210,000.** External sources of financing can be split between shareholders (equity financing) and lenders (debt financing). Lenders tend to prefer businesses where owners or shareholders have invested substantial amounts of money or equity. Businesses with a limited investment in equity are called "thinly capitalized." As shown, $25,000 ($20,000 + $5,000), or 12 per cent of the funds, will be financed through equity; the remainder will be financed through *lenders* or debt financing.
- **Total external equity financing: $25,000.** In *Illustration 2*, there are two sources of equity financing: retained earnings ($60,000) and new capital shares ($25,000). Retained earnings, which is income after taxes (profit) generated by the business, is considered equity since this money belongs to shareholders who have decided to leave it in the business.
- **Total external debt financing: $185,000.** As shown in *Illustration 2*, external financing consists of conventional and risk-capital financing. Commercial banks, credit unions, trust companies and shareholders provide *conventional financing*, typically low-risk investments guaranteed by collateral or assets. In the illustration, this is $185,000, which represents 88 per cent of total external sources. *Risk capital investors*, also called venture capitalists, will accept higher risks, but rarely do they invest in tourism enterprises.

  Debt financing is usually short term, medium term or long term. In the illustration, short-term and long-term amounts are used, totalling $185,000. *Short-term loans* such as working capital and lines of credit are raised to finance working capital accounts (accounts receivable) and are paid back within 12 months. *Medium-term loans*, also called intermediate-term financing, such as term loans, finance the purchase of assets such as equipment, computers and vehicles. These loans are normally paid within a one to five years. *Long-term loans*, such as mortgages, extend from five to 25 years and are usually raised to finance expensive capital acquisitions such as land and buildings.

  Debt financing can also be grouped as secured and unsecured loans. *Secured loans* require collateral or a pledge against assets and can be forfeited by the borrower if default occurs. Collateral takes different forms: accounts receivable, real estate, inventory, automobiles or stocks. *Unsecured loans* are normally granted only by trusting friends or relatives, or by banks to businesses with long-established, profitable track records. A secured loan obviously carries less risk for the lender than an unsecured loan.

Step 4: Pinpoint Sources of Cash



Since investors want returns on their investments and lenders have to be repaid, both are keenly interested in assessing where cash will come from and where it will go. Two financial statements are used to scrutinize cash performance: the *cash budget* and the *statement of cash flows*.

Cash budget

The *cash budget* gives a micro-profile of a business' short-term operating cash performance, or its liquidity. It shows monthly cash receipts and cash disbursements, and tells an analyst how the business is positioned to meet current bill and loan payments. Short-term lenders review the cash budget to ensure an operator has enough cash on hand to pay the company's ongoing bills—salaries, purchases and advertising—and working capital loans as they come due. An investor would also expect to see excess cash invested in short-term securities.

Statement of cash flows

The *statement of cash flows* gives a macro-level picture of business solvency. It shows whether a business can generate cash from its operations, pay all of its debts and dividends, and purchase capital assets. The basic structure of this statement (as presented in *Illustration 3*) is operating activities, financing activities and investing activities. Investors can see from the information in *Illustration 3* that the business (operating activities) generates $155,000 while financing activities generate $145,000. These two sources of funds—the company's financing requirements—amount to $300,000 and help the business purchase the $300,000 assets (financial needs) listed under investing activities.

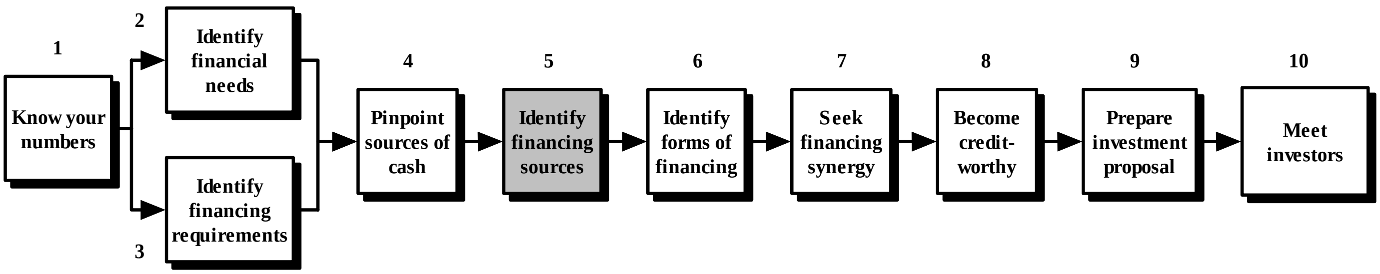
ILLUSTRATION 3: THE STATEMENT OF CASH FLOWS

Operating Activities		
Income after taxes	$ 60,000	
Depreciation	30,000	
Working capital accounts excluding cash	65,000*	
Total operating activities		**$ 155,000**
Financing activities		
Capital shares	25,000	
Long-term debts	120,000	
Total financing activities		**145,000**
Investing activities		**$ 300,000**

* includes the following working capital loans (short term financing):
- Conventional financing $55,000
- Risk capital financing $10,000

For further information on the Statement of Cash Flows please refer to *The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector – Guide 2* available on the CTC's Web site www.canadatourism.com

Step 5: Seek Financing Sources



Having identified financial needs and financing requirements and how they can be met, the next step is to seek financing sources. In the example presented in *Illustration 2*, $210,000 is needed. As shown in *Illustration 4*, there are various sources and forms of financing alternatives. *Sources of financing* are institutions that provide funds and include commercial banks, trust companies, credit unions, government agencies, risk capital investors, suppliers, life insurance companies, mortgage companies, individuals, institutional investors and shareholders. *Forms of financing*— such as short-term loans, term or instalment loans, revolving loans, lease financing, mortgage and shares—are the financing instruments that can be used to buy assets or to finance the growth of a business.

Illustration 4: Sources and Forms of Financing

Reasons for Financing	Sources	Forms
	Short-term financing	
Current Assets:	Commercial banks	• Line of credit
	Trust companies	• Seasonal loan
Cash	Credit unions	• Demand loan
	Government agencies	• Revolving credit
		• Notes payable
		• Interim financing
		• Commercial paper
Accounts receivable	Suppliers	• Trade credit
Inventory		• Inventory financing
		• Secured/unsecured loans
	Medium-term financing	
Capital Assets:	Commercial banks	• Term loans
	Trust companies	• Conditional sales contracts
Machinery and equipment	Term lenders	• Service leases
	Credit unions	• Sale and leaseback
	Sales and finance companies	• Financial leases
	Leasing companies	
	Government agencies	

Con't…

ILLUSTRATION 4: SOURCES AND FORMS OF FINANCING (CON'T)

REASONS FOR FINANCING	SOURCES	FORMS
	LONG-TERM FINANCING	
Capital Assets (cont'd): Land, buildings, and heavy equipment	Commercial banks Trust companies Term lenders Credit unions Leasing companies Franchising Pension, insurance companies Government agencies Venture capitalists	• Leases (as above) • Bonds • Mortgage (secured and unsecured) • Subordinated debts
	EQUITY FINANCING	
Intangible assets: R&D, promotional programs	Founder capital Family members and relatives Friends Partners Government agencies Venture capitalists	• Retained earnings • Shares (common and preferred) • Grants/contributions

Here are some tips for approaching investors.

- The best loan may come from yourself! Look at your operations to see if you can squeeze out more cash from your business. Perhaps you can cut back on operating expenses or find some internal inefficiencies; perhaps your accounts receivables could be paid more quickly; or perhaps you could sell some assets.
- If you decide to approach external sources for money, start with existing investors. They are in the best position to assess any risk related to your business. If you are dealing with a bank, start with your loan officer.
- Approach lenders early when seeking financing sources, especially if your business is new or new to an investor. Some investors or lenders may need many weeks to reach a decision. If it is negative, you may need to look elsewhere.
- Be prepared to answer a prospective investor's first question: What is the money for?
- Research potential investors and tailor your proposal to their interests.
- If you want funding for a larger project, present realistic figures on the rate of return on investment.

Let us now review various *sources of financing* for tourism operators.

Equity financing

Equity financing comes from founder capital, relatives, friends and partners, and can be put towards working capital or capital assets. Referring to the example in *Illustration 2*, equity financing represents a total of $25,000.

Founder capital

For an individual tourism operator, personal assets are the most logical place to look for financing. Your assets can include money in bank accounts, certificates of deposit, stocks and bonds, cash value in insurance policies, real estate, home equity, value of hobby collections, automobiles and pension funds.

Relatives and friends

Money from relatives and friends is often referred to as *love money*. Too often, however, money can get in the way of good family relationships. One way to help ensure continued good relationships with relatives and friends who lend to you is to have a *written agreement* clearly spelling out the terms agreed to—the amount and date the loan was made, the date (or dates) the loan is to be repaid, the frequency of payments, and the rate of interest and how it is to be repaid, and collateral, if any. Ideally, this agreement should be prepared by a lawyer; at the very least, the agreement must be signed by all parties. It is also a good idea to inform a spouse of agreements made with friends or relatives.

Partnerships

Raising additional funds can also take the form of adding one or more partners to a tourism establishment. A partnership is created by a voluntary written or oral agreement, either of which is legal. It is preferable, however, that the agreement be in writing and prepared by a lawyer. Conditions setting out such an association are outlined in a partnership agreement (or certificate). There are different kinds of partnerships: some where one partner is strictly an investor, some where one partner is also a manager. The terms, conditions and individual duties, responsibilities and authorities are spelled out in the partnership agreement. (See *Illustration 5* for a summary of the advantages and disadvantages of a partnership.)

Short-term financing

Suppliers, commercial banks, credit unions and factoring companies are typical short-term financing sources, although banks and credit unions are also sources for longer-term loans. In the example presented in *Illustration 2*, short-term financing totals $65,000.

Suppliers

Supplier credit is also known as trade financing and is something almost all businesses use. When you buy goods or services from a supplier, but pay for them later, you create a short-term debt to the supplier.

Commercial banks

Commercial banks and trust companies are typical institutional sources of short-term loans that usually appear on a tourism operator’s balance sheet as a line of credit, a seasonal or operating loan, or a working capital loan. The principal amount of these loans can fluctuate as often as daily, depending on the cash requirement. Frequently, these loans are renewed annually and become virtually permanent working capital financing. Such loans can be either secured with collateral and lower interest rates, or unsecured with higher interest rates. A bank or trust company can also foreclose on these loans if a tourism operator cannot pay it back as agreed.

The cost of these loans also varies over time as economic conditions change and interest rates fluctuate. The base for calculating interest rates is the rate a commercial bank or trust company must pay the Bank of Canada to borrow its money. The lowest interest rate is called the *prime rate*, which is the rate the banks charge their best (lowest-risk) customers. A typical operating loan might cost prime plus two—meaning that, if the prime rate were six per cent, a borrower would pay eight per cent. If the interest rate on a loan is not fixed but floating, the rate will fluctuate as the prime rate goes up or down. Usually, interest is calculated each month and is deducted from a company’s bank account.

As short-term loans from banks and trust companies supply money for a wide range of business needs, they are more flexible than trade credit. If financial needs increase, and a bank or trust company is agreeable, the established loan amount may be raised. Most businesses try to choose a bank that is willing to provide services, advice and counsel; assume some risks; and show some loyalty to its borrowers. A tourism operator, therefore, should try to develop a trustworthy, long-term relationship with a banker.

Using the example in *Illustration 2*, $55,000 was identified as a short-term loan from a conventional source.

Credit unions and caisses populaires

Credit unions and caisses populaires can also be excellent sources of short-term financing for tourism establishments. These lending institutions have expanded their lending operations in recent years to include non-members and investments outside of traditional financial investments. They now seek out new business start-ups and direct company loans, where they can realize a higher rate of return or actually secure an equity interest in the company to which they are making the loan. Their loans include short-term loans, working capital, revolving lines of credit and, for longer-term loans, mortgages on land and buildings.

Factoring companies

Factoring is considered risk capital short-term financing and is a money-raising option of last resort. Under factoring, a tourism establishment makes an outright sale of its accounts receivable to a factor, who assumes responsibility for collecting the receivables and any risk that they may not be collected. (This type of financing will be covered in greater length under the heading *Asset-Based Financing* in the section *Forms of Financing*.)

Medium- and long-term financing

Commercial banks, credit unions and specialized term lenders are places to go for medium- and long-term financing, of which term loans are the principal form. A term loan involves an agreement whereby a tourism operator agrees to make a series of interest and principal payments on specific dates to a lender. In the example outlined in *Illustration 2*, long-term financing amounts to $120,000 (conventional and risk-capital financing).

Term lenders

There are many types of financial institutions that specialize in term lending. Tourism operators can tap these sources of money for direct loans or for investment purposes.

Insurance companies, trust companies, mortgage companies and commercial banks lend on land and building mortgages, usually over a longer term (five years or more) and up to 75 per cent of recent asset valuation.

Commercial term lenders include banks, acceptance companies, finance companies, “near banks” or Schedule 2 banks (foreign-owned banks), and a small group of specialist companies. They lend on commercial assets, including land, building and equipment. Terms can be 10 years or longer. Amortizations are up to 25 years with floating interest rates—up to 75 per cent of recent valuations of land and buildings, 50 per cent or more on valuations of equipment.

These organizations are generally interested in making only loans of a substantial size, typically tied to some form of equity ownership. They are not interested in making loans to small start-up businesses.

Specialized and other sources of financing

If a tourism operator has difficulty obtaining debt or equity financing from conventional sources, other options are available such as leasing companies, franchising organizations, government agencies, local development companies, venture capitalists and advertisements.

Leasing companies

Leasing companies include banks and similar financial institutions, equipment suppliers and private organizations. The traditional role of leasing companies has been to provide motor vehicles for individuals and companies. Now leasing companies provide funds for virtually everything, with the exception of leasehold improvements and inventory, and leasing has become a mainstream source of funds. Fixtures, cash registers, signs and other equipment may now be leased, freeing limited cash for a start-up tourism establishment. See the *Forms of Financing* section for greater explanation of capital and operating leases.

Franchising

More and more businesses are distributing their goods and services through franchising, and many believe that franchising will become an even more popular financing option in the future. Franchisers can grant franchisees the right to market a product or service in an exclusive territory, usually in exchange for an initial buy-in fee plus various regular payments, such as royalties on sales or profits, as well as fees for leasing premises or equipment, common advertising, and the purchase of inventory or supplies.

In the section *Forms of Financing*, there are some tips to consider if you are considering franchising as an option. There are also booklets available from the federal government, Better Business Bureaus and the Canadian Franchise Association.

Government agencies

Government financing can be provided in the form of tax allowances, or direct or indirect financial assistance to tourism establishments from municipal, provincial or federal agencies. *Federal financing* can take the form of non-refundable contributions, refundable contributions, conditionally refundable incentives, equity participation, direct loans, guarantee of loans, remission of tariff, export financing, cost sharing, fees for counselling purposes, training grants and small business loans. (Part II of this guide provides a list of departments and agencies providing such funding.)

One federal organization that offers financing assistance is the Business Development Bank of Canada (BDC), which focuses particularly on small and medium-sized businesses. BDC provides three types of services under a "one-stop shopping" umbrella: financial (loans and loan guarantees); venture capital; and management (counselling, training, information and financial planning), mainly for companies in manufacturing, the wholesale and retail trade, and tourism. BDC provides funds—for start-ups, modernization, expansion, change in ownership or other business purposes—to firms unable to obtain financing from other sources on reasonable terms and conditions. BDC, therefore, is considered as a supplemental or another type of "last-resort" lender.

BDC provides:

- venture loans (from $100,000 to $1 million) for expansion and market-development projects;
- working capital for growth funding (up to $100,000);
- patient capital, directed at knowledge-based businesses in the early stages of development, offered on a long-term basis (up to $25,000);
- micro-business programs for training and counselling to small companies; and
- up to $25,000 for new businesses and up to $50,000 for existing businesses.

As a tourism operator, it is also important to be familiar with the federal *Small Business Loans Act* (SBLA). This federal law is intended to help new and existing small businesses obtain financing for capital asset needs from commercial banks and other designated lenders (trust companies, credit unions and caisses populaires) according to normal commercial procedures. The federal government guarantees the loans, which can be a maximum of $100,000 with a term up to 10 years. The interest rate is usually prime plus a small amount and fluctuates with the prime rate. SBLA loans are restricted to firms whose gross revenues do not exceed $2 million annually.

Provincial financing can take the form of forgivable loans, direct loans (mortgage, small-business loans), working capital loans, training grants, guarantee of loans, equity participation, inventory financing and venture capital. Most provinces have established legislation allowing private investors to set up small-business development companies that act as suppliers of venture capital. In some provinces, such as Manitoba, the provincial government matches 35 per cent of the capital raised by private investors. In Ontario, the provincial government provides a tax-free cash grant of 30 per cent of the investor's contribution, reducing the risk for individual investors. Some provinces have direct financing programs for small businesses that meet certain qualifications. It is important to note, however, that these programs change from time to time.

Municipal financing can come through free land, deferred taxes and help such as infrastructure assistance for industrial sites.

When dealing with government agencies:

- Talk to the right person.
- Ask for help from the program officer.
- Try to tailor your needs to the program in question.
- Be prepared to show that you cannot obtain necessary funds elsewhere.

Local development companies

Local development companies are organizations frequently established in rural areas and small towns to attract new businesses to the area. They usually comprise banks, real estate firms and local business associations. These not-for-profit organizations are in a position to offer land and buildings, even private capital. Local development companies obtain their funds from a variety of sources.

Venture capitalists

Venture capital is “equity” and “loan” capital that is provided for new and existing businesses by persons other than the owners. Venture capital firms invest directly in a business if they feel that the business will be profitable and likely to grow “substantially.” Tourism operators interested in this form of financing have to be familiar with what venture capital firms are looking for and see if they meet the criteria.

Venture capitalists expect:

- High returns and usually seek a substantial minority ownership position—20 to 40 per cent, or even control, in start-ups.
- Management and shareholders to be fully committed financially.
- A balanced management team.
- A fast-growth business.
- A timeframe of several years to liquidate their investments or to make an exit.

Here is a profile of general types of risk-capital investors.

Angel investors are professional investors, retired executives with business experience and money to invest, or individuals with high net worth simply looking for an opportunity to invest from $25,000 to $300,000. Many angels are sophisticated investors and will conduct a thorough analysis of a business before they invest.

Private investors and *venture capital firms* are individuals or groups of professionals with considerable pooled experience, contacts and business skills that can help a business become more profitable. The size of their investment can range from $25,000 to $5 million. Investors in this category have particular preferences, strategies and investment criteria. While some private firms will be more interested in investing in the development stage of a business, many will be interested in companies in the expansion, acquisition and management, or leveraged-buyout stages. These investors include labour-sponsored venture funds such as *Working Ventures Canadian Fund, Fonds de solidarité* and the *Canadian Medical Discoveries Fund*.

Institutional investors provide equity and subordinated-risk capital investment to small and medium-sized businesses. They include subsidiaries of commercial banks, investment banks, certain life insurance companies and pension funds. These companies fund investments that are often less than $1 million; some investments, however, are much larger. Canada has a wide range of such organizations, including the Bank of Montreal Capital, Royal Bank Capital Corporation, CIBC Wood Gundy Capital, Penfund Partners, Investissement Desjardins, Roynat, Ontario Teachers’ Pension Fund and TD Capital.

Corporate strategic investors differ from traditional venture capital companies in that their motivation extends beyond financial considerations, and their business agreements are referred to as strategic alliances or corporate partnerships. A strategic investor may have a broad range of objectives, including enhancing innovation, gaining exposure to new markets and technologies, identifying and accessing acquisition candidates, assuring sources of supply, assisting a client, initiating new ventures internally and spinning off businesses that are not appropriate for in-house purposes.

Government-backed corporations make investments in smaller, regional communities where mainstream investors are less active. For example, the Atlantic Canada Opportunities Agency (ACOA) provides support to businesses located in the Atlantic provinces.

Advertising for funds

An operator can seek funding by placing advertisements in the business section or the classified ads of a local newspaper. When running such advertisements, it is important to specify the amount of money needed and the type of business for which it will be used. Confidentiality for both parties can be maintained through the use of a post-office box or a newspaper-box number.

Going public

This option is available primarily to fast-growth companies who are ready to offer and sell equity interest in the company through a stock exchange or broker network. Going public involves a rigorous process of regulatory compliance and promotion. Owners must prepare a prospectus and approach an investment dealer, who then buys securities from the firm and sells them to the general public. Summarized below are the steps involved in making a public issue.

Steps Involved in Making a Public Issue:

Step 1:

The firm decides to list (or not to list) its issue on a public stock exchange (e.g. Vancouver Stock Exchange).

Step 2:

The firm selects one or more investment dealers who will be the underwriters – those responsible for buying and selling the issue.

Step 3:

A preliminary conference takes place between the issuing company and the underwriter(s) to discuss the amount of capital to be raised, the type of security to be issued and the general terms of the issue.

Step 4:

A preliminary prospectus is prepared, disclosing important aspects of the issue and serving as the basis of the agreement among all parties.

Step 5:

A public accounting firm audits the company's finances and prepares the required financial statements to be included in the preliminary prospectus.

Step 6:

After it is signed, the preliminary prospectus is filed with the appropriate provincial securities commission. This is followed by a waiting period (usually around 15 business days), which gives the securities commission time to evaluate the prospectus to ensure it is accurate and complete.

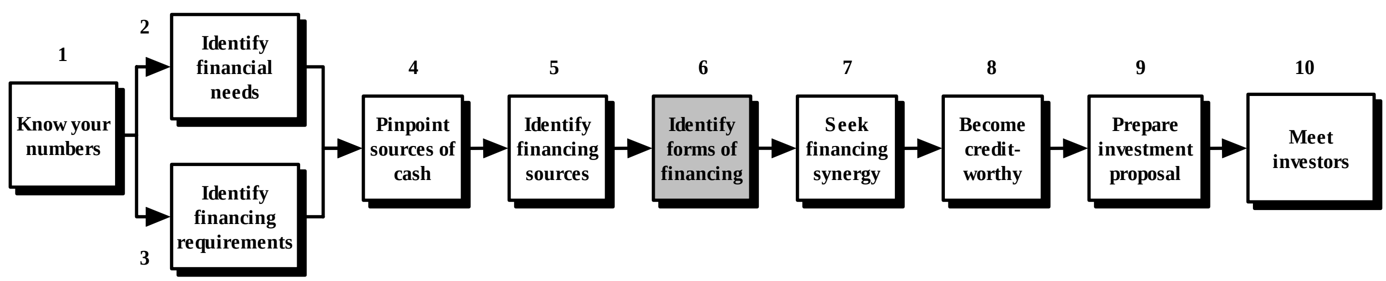
Step 7:

After the securities commission gives clearance, the final prospectus is prepared and final clearance is given. At this point, the underwriting agreement is signed between the issuing company and the underwriter. Here, an agreement is reached about the date of the issue, the actual price that the underwriter is prepared to pay, and his or her commission.

Partnering and strategic alliances

Tourism establishments are faced with ever-increasing competition, changing consumer demands, challenges in accessing capital, escalating business costs and a growing need to pursue new, global markets. In view of this, partnerships or strategic alliances have become increasingly important and, in the years ahead, will become more so. There are many publications on partnering, specifically tourism partnering, such as one published in 2003 by the CTC and the World Tourism Organization, *Co-operation and Partnerships in Tourism: A Global Perspective.*

Step 6: Identify Forms of Financing



Now that you have identified the most suitable *sources of financing*, the next step is to determine what *forms of financing* will best meet your *financial needs*—that is the $300,000 amount identified earlier in the guide. Should your next step be a short-term or long-term loan? Should it be a secured or unsecured loan? If you are considering a short-term loan, should it be a line of credit or revolving credit? If it is a long-term loan, should it be a term loan or a mortgage? Should financing be in the form of conventional financing or risk-capital financing?

This section addresses the many different *forms of financing* that tourism operators can consider. The advantages and disadvantages of the major forms of conventional or risk-capital financing are listed in *Illustration 5.*

ILLUSTRATION 5 – PROS AND CONS OF DIFFERENT FORMS OF FINANCING

1. OWNERSHIP FINANCING (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Low risk • Dividends are paid when profit is generated • No restrictive covenants that could cause default • Provides stability and permanency • Shares do not have fixed maturity dates	• Extends decision making or control to additional owners • Gives the rights to more owners to share in profit thus dilutes the equity interest • Takes time to access • Underwriting costs (if public) are expensive • Dividends are not tax deductible
2. PARTNERS (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Easy to establish • Personal motivation and satisfaction • Availability of complementary management skills • Ability to raise more funds • Definite legal status of the business	• Like a sole proprietorship, unlimited liability • Limited life • Divided authority • Danger of disagreement
3. CREDIT CARDS (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Provides access to cash via automated teller machine network • Flexible repayment options (i.e. monthly minimum or the entire balance) • No transaction fees on purchases • Descriptive billing statements	• Cost of borrowing may be higher than under operating loans
4. ACCOUNTS PAYABLE (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Inexpensive source • Limited documentation required • Easy access • No costs • No controls • No security	• Usually not sufficient to bridge fully the timing difference between paying for supplies and receiving cash from sales • Very short-term • If the business does not pay on time, the supplier might cut off future supplies

5. OPERATING LOANS: LINE OF CREDIT, SELF-LIQUIDATING LOAN, DEMAND LOAN, REVOLVING CREDIT (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Easy and fairly quick to access • Relatively inexpensive • Flexible • Loan revolves up and down and maximizes use of cash • Suitable for short-term temporary needs • Usually, reporting requests are minimal • Interest and fees are tax deductible	• Increases the financial risk since cash servicing is required • Amount available is limited by the ceiling • If the company experiences problems, lender is in a position to demand payback of the loan and realize the security. • Not suitable where the company expects returns over a long term • Suitable security may be required

6. CONDITIONAL SALES CONTRACTS AND TERM LOANS (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Longer repayment terms • Easy access • Flexibility • Tax deductibility of interest • Suitable for long-term needs • Low cost relative to other long-term sources of financing • Commits the lender for a long term • Does not dilute equity	• Ties up assets • Increases financial risk, given cash payments of interest and principal • Commits the business, since it is subject to penalties • Often includes restrictive covenants • Business may not have suitable security to offer, since the business/financial risk may be too high

7. MORTGAGES (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Long-term commitment, without equity dilution • Maturity matches the long life of the assets • Easy to access • Considers the value of the assets more than the value of the business • Standard documentation required • Restrictive covenants are basic	• Fairly rigid financing instrument • Increases financial risk due to fixed stream of interest and principal repayment • If payments not met, penalties possible

8. CAPITAL AND OPERATING LEASE (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Helps maintain cash flow • Lowers risk of obsolescence • Has lower stringent financial requirement at bankruptcy • Potentially more favourable tax implications	• Higher interest costs • Difficulty of making property improvements

9. FRANCHISING (CONVENTIONAL FINANCING)	
ADVANTAGES	**DISADVANTAGES**
• Reduces the chances of failure • Offers training and a blueprint for operating a business • Brand name identification	• Lack of control and personal imprint • Can be more expensive • Agreements tend to be restrictive

10. Risk-Capital Financing (Venture capital)	
Advantages	**Disadvantages**
• Last-resort source • May make it possible to finance a new business or implement new ideas • Rewards when realized can be substantial, especially in start-up situations • May require participation on board of directors, therefore providing additional human resources	• Fraught with high risk for private-sector investors • May potentially require giving up a percentage of the company's ownership to the venture capitalist • Investor expects very high return on investment – typically 25-50% annually • Investor's board membership diminishes autonomy

11. Asset-Based Financing: accounts receivable, inventory (risk-capital financing)	
Advantages	**Disadvantages**
• Ideal for growing, highly leveraged and turnaround situations, because of the higher level of risk assumed by the lender • No complicated financial convenants, which require monitoring and compliance; this results in less chance of default under a loan agreement • Given the heavy reliance on the value of the collateral, it increases the opportunity for leverage • Lowers the need to raise equity, avoiding equity dilution • Interest is tax deductible	• Not suitable for all industries; needs high levels of accounts receivable and inventories • Increases the financial risk, due to interest servicing • More expensive than conventional short-term financing • Onerous accounts receivable and inventory monitoring requirements

12. Subordinated Debt Financing (risk-capital financing)	
Advantages	**Disadvantages**
• Flexible and can be tailored • Less expensive than equity • Fills a financing gap and high leverage is available • Not as much dilution as straight equity • Available to a variety of industries	• Takes time to access • Expensive relative to other sources of short- and long-term financing • Some cash-flow servicing requirements • Investors will take a more active role in the company than other lenders • Set-up costs are high • Restrictive covenants often apply • Does not provide the stability of equity

The various forms of financing will be covered under seven major headings:

- Ownership financing
- Supplier financing
- Short-term financing
- Medium- and long-term financing
- Other forms of financing
- Government financing, and
- Risk-capital financing

(*Illustration 5* summarizes the advantages and disadvantages of the different forms of financing.)

Ownership financing

As well as equity, tourism operators can inject money into their businesses by borrowing on their credit cards. As shown in *Illustration 2*, the business establishment will raise $25,000 in equity financing.

Credit cards

This form of financing gives a line of credit up to a prescribed amount without restriction on the use of funds. It is unsecured and is granted without the requirement of financial statements or an investment proposal. Credit cards are extended based on the personal creditworthiness of a company's owners.

Partnership

Partnership is discussed under *Equity Financing: Partnerships*.

Supplier financing

In addition to "lending" money for a period between supplying goods or services and being paid, suppliers will often lend technical, marketing or other assistance, because they are interested in the success of a business. Consider negotiating with suppliers for some of the following:

- Special payment terms of 120 days or more, with or without interest charges, during seasonal peaks and valleys.
- Consignment deals, where you pay only for goods or services sold.
- Right to return unsold goods or services for full credit.

Accounts payable

Accounts payable can be an attractive form of financing since, in most instances, buyers do not have to pay for goods or services for a period of 30 or sometimes 60 days. As this period is interest free, accounts payable can be an inexpensive source of short-term supplier financing. As a business grows, supplier credit also grows. When there is a sales revenue increase, there is a corresponding increase in accounts payable. Trade credit is offered to buyers who usually have a good credit rating.

Nevertheless, it may be dangerous for a business that does not know how to use this credit instrument. In some cases, businesses abuse their credit limit and have difficulty reimbursing suppliers. This situation can easily damage a company's reputation.

Short-term financing (banks and near banks)

Banks, trust companies and credit unions offer a wide-range of short-term financing often called *operating* or *working capital loans*. These types of short-term financing could be in the form of a line of credit, self-liquidating loans, demand loans, revolving credit, interim financing, secured loans and commercial paper.

Line of credit

A line of credit is a formal or written agreement between a banker and a tourism operator (borrower) for a loan during a given year. For instance, a tourism operator may estimate a requirement for a $20,000 loan during a four-month period to sell its services on credit. Although a business may have a high credit rating and may be able to obtain as much as $40,000, a tourism operator has to indicate to a loan officer the exact amount required, when it will be needed, and the amount of interest to be paid. The agreement is confirmed when the tourism operator signs a promissory note for the agreed amount. This formal agreement confirms that the funds to be provided will be available in the form of a temporary loan and will not be of a permanent nature.

Seasonal or self-liquidating loans

Business establishments use seasonal or self-liquidating loans to finance temporary or fluctuating variations in accounts receivable and inventory—that is, the company's working capital. For example, a tourist operation that sells services such as vacation holidays or leases automotive equipment may have a specific seasonal borrowing pattern. It may need some financing during the summer months as credit begins to accumulate. Once the season is finished, customers start to make their payments, at which time the tourism operator starts to repay the loan. These loans can be secured or unsecured, and interest rates can fluctuate over time. Like a demand loan, a bank can call these loans at any time.

Demand loans

Most operating loans are not made on a basis of fixed maturity, but on a demand basis. This means that a bank can request payment at any time. Demand loans are risky; if the bank suddenly demands repayment, a company would have no choice but to negotiate a loan with another financial institution. Also, the interest rate of this type of loan is usually not fixed, but floating, which is usually specified as prime plus a premium for risk.

Revolving credit

This type of loan is similar to a line of credit, with one exception: a bank signs an agreement with a tourism operator to indicate that a maximum amount of credit will be extended. This type of financing costs a little more, because the bank can levy additional fees. For example, if the bank offers a credit limit of $70,000 and the borrower uses only $50,000, the unused portion of the loan may be liable to a stand-by fee, say 0.5 per cent, which is charged to compensate the bank for committing funds to the loan.

Interim financing

Interim financing, also called bridge financing, is a loan made available to businesses to help them finance the construction of a new facility or the expansion of an existing one until regular financing, such as a first mortgage, is received. This financing is called interim, because it is used to bridge the time gap between the date the construction begins and the time that the funds from a long-term loan are received.

Secured loans

A tourism operator who is unable to obtain unsecured credit—such as a line of credit, a seasonal loan, a demand loan, or revolving credit—because of low credit standing or because they want a lower interest rate, will have to pledge some of their assets as security in order to obtain a loan. In this case, the tourism operator puts up some assets, such as marketable securities, equipment, machinery, buildings, land, accounts receivable or inventory, as collateral to be claimed by the bank if the operator does not respect the loan agreement or if the business is liquidated. Since most capital assets are financed by medium- or long-term loans, short-term lenders use accounts receivable and inventory as collateral to secure loans.

Commercial paper

An instrument frequently used by banks is commercial paper, or corporate paper. For larger business operations, commercial paper is an alternative to bank loans. The maturity of commercial paper is generally very short, but could be as long as one year. When the maturity date arrives, the borrower must pay—extensions are usually out of the question. Failure to pay on time can cause irreparable damage to a tourism operator’s reputation, perhaps preventing the business from borrowing in the future.

Medium- and long-term financing (financial institutions)

Medium- and long-term loans usually finance capital (or fixed) assets. These loans may be straightforward term loans, usually secured by a physical asset. Commercial banks, life insurance companies, pension funds, and federal and provincial government agencies provide longer financing on capital assets. These types of loans can be in the form of conditional sales contracts, terms loans, mortgages or bonds.

Conditional sales contract

A conditional sales contract is a written agreement between a tourism operator (borrower) and a seller regarding the purchase of physical assets on a time-payment basis. Under this arrangement, the seller of a capital asset accepts a partial payment of the value of the asset—usually at least one-third—as a down payment; the rest is paid on a monthly instalment basis. The seller retains legal ownership of the property until the tourism operator has made all the required payments according to the term of the agreement, which usually runs from 12 to 36 months.

Term loans

Term loans are a principal form of medium-term financing used for the purchase of capital assets (usually three to seven years). A term loan involves an agreement whereby a tourism operator (borrower) agrees to make a series of interest and principal payments on specific dates to a lender. This differs from a bank line of credit, when repayment can be at any time (demand) or at a specified time in one lump sum.

Characteristically, term loans are:

- Tailored to suit the needs of a tourism operator
- Usually secured in the form of a “chattel” mortgage on equipment or machinery
- Restricted by additional conditions (for example, no additional borrowings and no increase in salaries to the owners of a tourist establishment without prior approval of the lender), and
- Retired by systematic repayment over the life of the loan.

Mortgages

Mortgages are a pledge of a specific real estate property, such as land or buildings. Mortgages are usually long-term financing, up to 25 years or even more. The amount of a mortgage is calculated based on the market value of the property. For example, 75 per cent of the market value might be a common assessment, but tourism operators can find lenders that will finance up to 90 per cent of the value of an asset. These investors frequently prefer long maturity periods. The repayment schedule is usually based on equal blended payments of interest and principal. The interest rate is fixed for a specific term and depends on the going market rate, the length of the term and availability of funds. Insurance companies, pension funds, chartered banks and trust companies provide these types of loans.

Other forms of financing

Other forms of financing are useful when conventional financing is not available. They include lease financing, franchising, government assistance and risk-capital financing.

Lease financing

Leasing is an alternative to more traditional financing for any assets, but especially for equipment that has a useful life of three to ten years. The two most popular forms of leases are *operating leases* and *capital leases.*

Operating leases provide not only financing, but also maintenance of assets, making these leases popular for office equipment and cars, as well as technical equipment such as computers. An operating lease is an agreement between a lessee and a lessor that can usually be cancelled by either party upon due notice. Often, the lease price includes service and repairs. Operating leases are not always fully amortized during the original contract period; the lessor expects to recover the rest of its costs by either leasing the asset again or selling it. If the original lessee (a tourism operator) believes that equipment has become obsolete, it is possible to cancel the contract at little or no penalty prior to the normal expiry date of the lease period.

Capital leases are a mutually agreed upon commitment by a lessor and a lessee under which the latter agrees to lease a particular asset over a specified period of time. A capital lease does not provide for maintenance, is usually fully amortized, and does not normally include a cancellation clause. While capital leases may be used for automobiles, more commonly such leases are for assets like office, movable and construction equipment. For this type of equipment, lessors generally borrow 80 per cent of the cost of the asset from a third party (or parties) on a non-recourse basis. Leases can run as long as 15 or 20 years. A lessor records only the net investment (20%) on a balance sheet, but can deduct interest on debt, financing the depreciation on the asset. Income for tax purposes, therefore, is usually negative in the early years of the lease. A lessee may receive lower lease payments than would otherwise be the case, and all of a company’s lease payments are usually tax-deductible. Most financial institutions are involved in leasing, either directly or through subsidiaries.

Franchising

As a tourism operator, franchising can be looked at from the perspective of a franchisee or a franchiser. A *franchisee* pays a fee to start a new business or move into an established one. A *franchiser* promotes or builds an existing business in new geographic locations, partly using franchise fees.

If you want to buy a franchise license, here are a few tips:

- Check the reputation and track record of the franchise.
- Check with other franchisees in the same group.
- Check the markets you will be allocated and ensure that continued research and product help and training are available.

- Make sure the front-end fee gives you something tangible: a name, a system, a product, access to suppliers, a guarantee on a lease, training and administrative support.
- Ensure the franchise cannot be taken from you arbitrarily.
- Arrange the contract so a franchiser makes money on royalties from your sales, rather than from your fees. It is in your interest if the franchiser's revenues are tied to yours.
- Read the fine print on the contract and have a lawyer go over it.

If you license or franchise your product or service:

- Specify minimum targets.
- Make sure you can reclaim your license if a franchisee does not perform.
- Make sure franchisees pay enough to make them "committed."
- Consider demanding minimum royalties or fees.

Government financing

Federal, provincial and municipal governments have different types of programs to help small businesses. The most popular programs provide loan guarantees and contributions.

Loan guarantees

Loan guarantees are agreements between a government body and a lending institution backing a loan the institution makes to you. The government guarantees to pay the lending institution either a high percentage or the entire amount of a loan in the event that the business defaults in its repayment.

Contributions (repayable or non-repayable)

Repayable contributions are amounts provided by a government agency to a business. Contributions differ from term loans in that there may be either no or low interest charged, and the time period for repayment may be much more generous. Non-repayable contributions (generally referred to as grants) are amounts provided to a business that do not have to be repaid.

Risk-capital financing (venture capital)

Venture capital is one avenue to pursue when you cannot get a loan from a commercial bank. Institutions that specialize in lending venture capital use business assets as collateral when they lend to less creditworthy businesses. These lenders charge more in interest, because risks are greater. In fact, risk-capital financing is rare in the tourism sector.

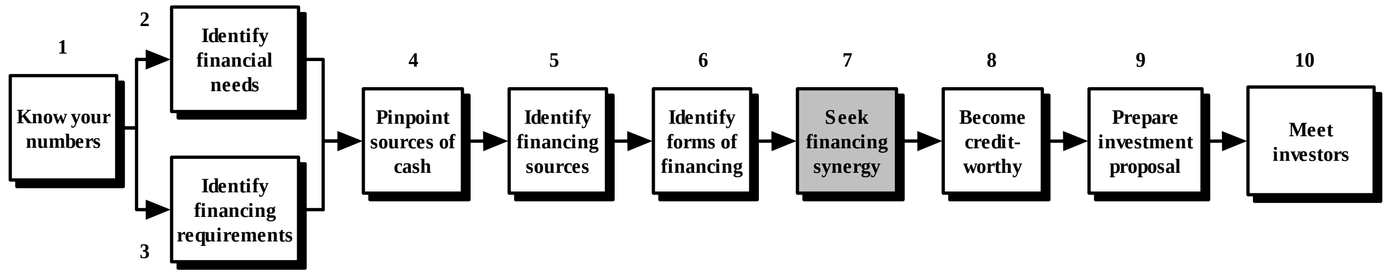
Asset-based financing

Asset-based financing is a form of short-term risk-capital financing. Just like a bank line of credit, an asset-based loan is subject to a ceiling amount based on accounts receivable and inventory. It also involves a security pledge on accounts receivable and inventories. Pure asset-based loans, however, differ from bank loans, because they rely on collateral coverage rather than being linked directly to financial forecasts. Business and financial risk, therefore, are less of an issue with asset-based lenders compared to conventional short-term lenders. Pricing is higher, however, and annual interest rates may range from the prime rate plus two per cent to prime plus five per cent. Using the financial requirements example presented earlier in the guide, a business establishment would seek $10,000 in asset-based financing.

Subordinated-debt financing

Subordinated debt is a risk-capital term debt, with associated interest rates higher than conventional sources—typically ranging from 8 to 12 per cent. Subordinated-debt financing is another option to explore when secured sources have been exhausted. Subordinated-debt financing can come from private-sector venture-capital firms, institutional investors, labour-sponsored funds and government corporations, typically for a rate of return between 15 and 25 per cent per year. Referring to the financial requirements example presented earlier in the guide, a business establishment would seek $10,000 in subordinated debt financing.

Step 7: Seek Financing Synergy



When tourism operators seek long-term relationships with lenders, they are looking for lending "partners". Most businesses will partner with a bank, particularly for a long period of time. Here are some tips on choosing and working with banks.

What to look for in a bank

- Look for a bank that offers a wide range of services. The bank should have a good reputation for providing counselling services and loans to businesses. An ideal banker will know the tourism industry and the range of financing requirements available.
- Look for a bank with a financing expert or a commercial loans officer willing to develop a strong relationship with you.
- Choose a bank that is loyal to its customers. Certain banks, when times get a little rough, may quickly shut the window on applications for increases in their lines of credit (especially for smaller businesses). Other banks will work with a business as much as possible to help ride out the storm.

How to deal with a bank

- Be open. Always tell your banker in advance if there is bad news coming; be the first to tell them. Their confidence will be stronger if they hear it from you first.
- Prepare a cash budget and go over it with your banker. Provide monthly updates even when you are not borrowing.
- Invite your banker to your premises now and then to allow him or her to get to know your operation.
- Borrow from your bank early in your business cycle to establish a credit record.
- Work your loan down. Use it up; do not leave it sitting.
- Use your banker as a source of help. Bankers are well aware of economic conditions in their areas. They can get valuable information from their divisional offices. They can introduce you to potential customers and suppliers and help you with credit checks.
- Discuss any future financial needs.

What lenders look for in a borrower (or the six 'C's of credit)

Banks require certain information before lending money to a tourism operator. Some of the information will be provided by the business while the bank will obtain the rest through its own files and networking. Banks assess potential borrowers on criteria commonly referred to as the six 'C's of credit: character, collateral, capacity, capital, circumstances (or conditions) and coverage.

Character means two things to a banker. First, it means that the tourism operator has the skills and abilities to manage a business professionally and be serious, dependable and accountable. Secondly, bankers look for individuals who are true to their word, those who appear to feel morally obligated to pay their debts or any other obligations according to their promise.

Collateral is a pledge offered in exchange for a loan. It is like a form of insurance on physical assets, which will be rightly owned by a banker if a business stops operating or is liquidated. This pledge is vital to a bank, since the absence of such security increases risk. Businesses with a high credit rating may obtain a loan on an unsecured basis, that is, on faith and trust; others, however, are obliged to back their borrowings with collateral.

Capacity means two things to a banker. First, it means the ability of a business to generate enough cash to meet its obligations—that is, to repay principal and interest. Secondly, it means the ability of a management team to manage a new project or an expanded operation and make it a success.

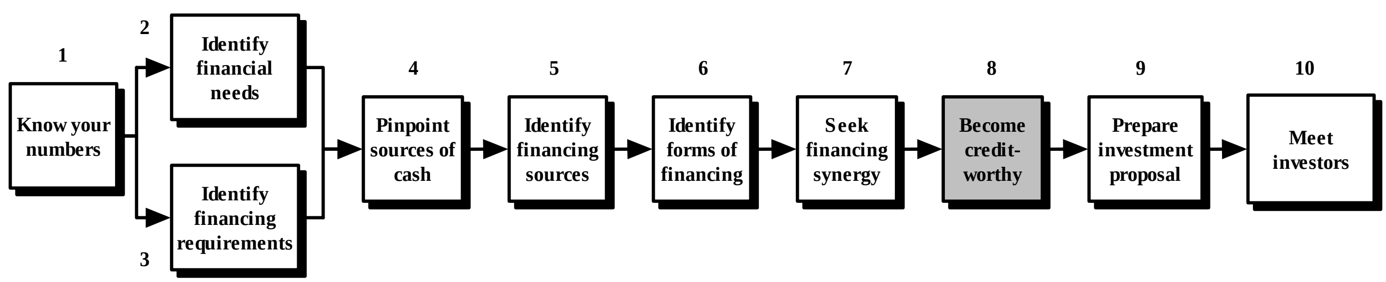
Capital refers to a company's financial structure—the mix between shareholder equity and lenders' funds. The more money shareholders have invested in their business, the more confidence lenders will have in providing a loan.

Circumstances or *conditions* refer to the environment governing a company's performance, specifically the status of the industry in terms of trends in demand, prices, competition, profitability and government regulations.

Coverage refers primarily to insurance coverage. Most businesses are subject to losses arising from different sources: death of a principal owner or manager; damage to the business property resulting from fire, explosion or any violent cause; embezzlement, theft or any dishonest acts committed by a shareholder, officer or employee; and public liability suits. Investors feel less vulnerable when they lend to businesses that are adequately covered by insurance.

Be prepared to supply your banker with sufficient information to assess you under the six 'C's. If you do not provide this information, banks will seek it elsewhere—from business contacts or other investors.

Step 8: Become Creditworthy



Making a business creditworthy is the first step to obtain funds quickly and at more attractive rates. Reasons for investors turning down loans or refusing to become part owners in a business are numerous, ranging from objective to subjective. To prove creditworthiness, before meeting investors, tourism operators should rate themselves on a scale of 1 to 10 on the following points, with 1 being a low score and 10 high.

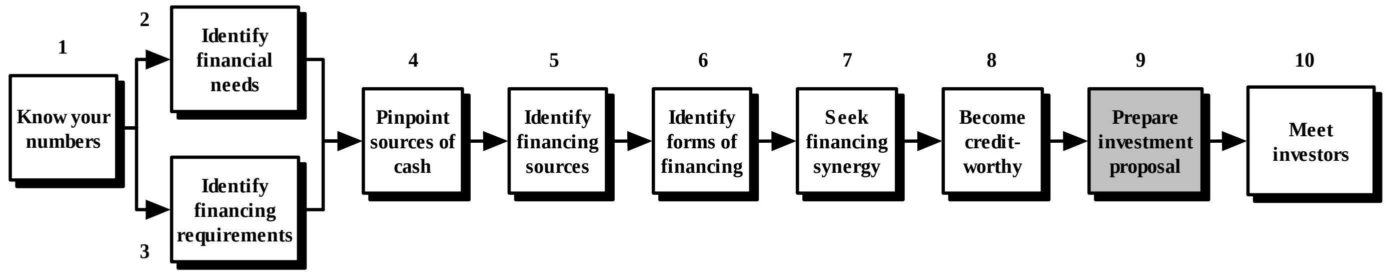
Factors related to creditworthiness

- Earnings record
- Management ability
- Collateral quality or quantity
- Timeliness in meeting trade or loan payments
- Accounting system quality
- Age of firm, established earnings record
- Character of principals

Factors related to a bank's overall policies

- Equity
- Appropriateness of time requested to repay loan
- Length or quality of relationship with a bank

Step 9: Prepare Investment Proposal



The next important step is preparing a convincing investment proposal. An *investment proposal* (unlike a business plan, which is more like an internal operational planning document) is a calling card that introduces your tourism business and your investment initiative to prospective investors. A winning investment proposal should focus on investor needs and *capture a lender's attention*. (The table of contents of a generic investment proposal is presented below.)

Structure of an investment proposal

Cover Page (company name, address, telephone and fax numbers, e-mail, company contact person(s))

Table of Contents (note major headings of the investment proposal)

Executive Summary (1 to 2 page summary of the most important points of the proposal)

Company History (one-page summary of the evolution of the business if not new)

Objectives

- Statement of purpose (mission statement)
- Financial and non-financial objectives (sales revenue, working capital, profit, return)
- Business strategies (summary of how objectives will be achieved for each major organizational function such as marketing, operations, finance)

The Business

- Profile of the business (organizational structure)
- Ownership structure (legal form of ownership: single proprietorship, partnership, private or public corporation)
- Location
- Major products or services offered

Statement and Description of the:

- Financial needs (type and amount)
- Financing requirements (sources and forms)
- Initiative or project to be funded, briefly described

Context of the Business

- Industry outlook (description and analysis of the tourism industry)
- Markets (growth, trends, opportunities, threats)
- Competition (new products or services, competitors)
- Legal factors (federal, provincial, municipal)

Marketing Plan (details of products and/or services, market research study, advertising and promotional programs, public relations programs)

Organization and Management Plan (background, responsibilities and qualifications of key personnel)

Human Resources Plan (number of employees and major responsibilities)

Operations Plan (description of manufacturing activities and/or services offered)

Research and Development Plan (trademarks, licenses, R&D activities)

Financial Plan (planning assumptions: see Guide 5 of *The ABCs of Financial Performance Measures and Benchmarks for Canada's Tourism Sector* for a description of the more important assumptions related to the income statement and the balance sheet)

- Income statement
- Balance sheet
- Cash flow
- Cash budget

Supporting Documents

- Financial data
  - capital equipment list
  - break-even analysis
  - financial statement projections and performance measures
  - historical financial statements
- Management resumés
- Organization chart
- Personal financial statements and commitment of owners
- Credit reports
- Market analysis (study)
- Lease (agreement)
- Contracts
- Letter of reference
- Articles, clippings
- Graphs, charts
- Glossary of terms

There is no correct prescription for an investment proposal. Each investor may want to see suggested sections in a different order or see different information emphasized. Nor is there a rule on length, as this will depend upon the size of the investment, the stage of development of the business, and the amount of funds sought.

Whatever format and content order are chosen, you should take the time to prepare an investment proposal carefully. An investment proposal:

- Provides a solid base on which to judge a tourism operator in terms of his or her abilities to plan and organize the use of the resources efficiently and effectively;
- Helps investors readily assess the performance of a business establishment and see whether it has adequate resources to successfully engage in a new venture;
- Indicates how much money is needed, who will provide it, and when it will be required;
- Assures investors that a tourism operator is aware of both the opportunities and potential threats related to the business establishment;
- Indicates a business can maintain and repay its debt within the short and long term, and reveals the potential return of a business establishment and proposed initiative;
- Identifies all components of a company's operations—both internal, such as financial, human, physical, technological and material resources, and external, such as the industry environment, competitors and market trends; and
- Identifies the timing and size of future cash requirements.

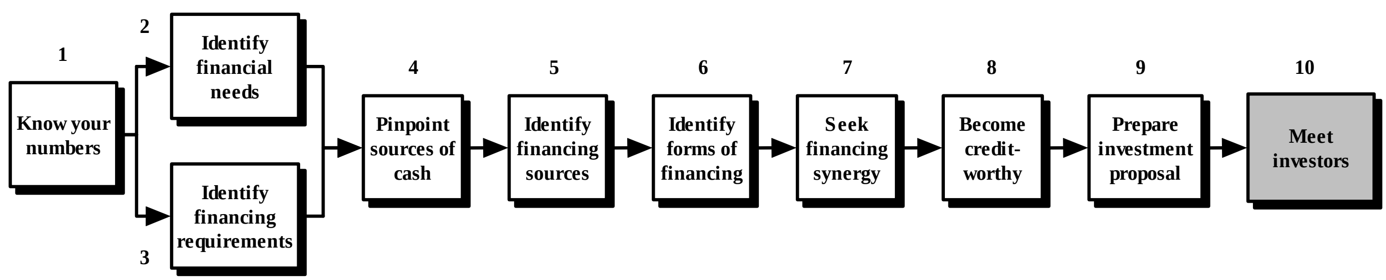
An investment proposal should have a professional look. Packaging, therefore, is important. The organization and clarity of a proposal will assure investors of a tourism operator's ability to think, plan, organize and communicate his or her ideas.

Here are a few tips for preparing a winning investment proposal:

- The front cover of a proposal should show the business name or owners' names and addresses.

- A proposal should be built with a sense of realism and practicality—information such as planning assumptions and financial projections should be realistic.
- A proposal should be a carefully crafted action-oriented document.
- Claims should be documented whenever possible.
- Appendices should include newspaper clippings, magazine articles, university studies and interviews with prominent people who are familiar with your industry and market.
- The unique selling advantage of your product or service should be highlighted, boldly emphasizing any edge that will raise the odds of success over competitors.
- Take advantage of the benefits of technology. Computers and computer software can be a tremendous help in preparing a high-quality proposal, especially sections dealing with financial projections. Financial-planning spreadsheets can be used for different "what if" scenarios based on strategic adjustments of key planning variables such as selling prices, and operating and investment costs, giving readers valuable insight into possible financial outcomes.
- Aim for a conservative and professional presentation—simple, well documented, clearly written, error-free and appropriately bound. It should look impressive but not too slick. It should be packaged in a loose-leaf or spiral-bound binder. There should be an executive summary and a table of contents, and an index and tabs for each section for ease of reference. It should be written in a persuasive tone, suited to a reader's level of understanding. This is critical, particularly when it relates to technical sections. Include a glossary of technical terms as an appendix.
- Use charts, graphs, diagrams and other visual aids to add interest and improve comprehension of the information.

Step 10: Meet Investors



After many weeks and often several months of researching, organizing, preparing and writing an investment proposal, a tourism operator must now ensure that things go smoothly during a meeting with an investor. Before the first meeting, the tourism operator should consider a number of critical factors. There should be a synergy between an investor's interest in financing the type of business and the project in question. Financing requirements should be compatible with financial needs. An investment proposal should be reviewed one more time, making sure that the following are clearly identified:

- Financial needs
- Financing requirements
- Objectives of the investment initiative and its distinct features
- Management-team skills, and
- Financial projections.

As the first meeting is the most important step in bringing a tourism operator and a prospective investor together, setting the stage for a prosperous and long-term relationship, the meeting has to be carefully planned. In fact, the first 15 to 20 minutes are the most critical. However informal the first meeting with a prospective investor, remember the old saying: "You never have a second chance to make a good first impression**.**" If this meeting does not go well, it is difficult to regain a potential investor's attention and interest. Your presentation, therefore, should be rehearsed—several times, if needed.

Presenting an investment proposal

A meeting with a targeted investor is much more than a detailed presentation of a business establishment, product or service, and management team. It is an exploratory session in which a potential investor gets to know a tourism operator better in terms of the operator's strategic thinking and problem-solving ability. An investor will probably ask questions that will be stressful to a tourism operator. Such questions are necessary to help the investor gauge the operator's reaction under pressure. During the meeting, the investor will be exploring two key factors: the extent to which a tourism operator believes in himself or herself and the product or service, and his or her credibility and integrity.

A potential investor will certainly want to know what makes a tourism operation successful and will zoom in quickly on its strengths and weaknesses. A tourism operator should be prepared to respond to questions effectively and address issues that seem to concern the investor. The tourism operator should not try to "bluff" his or her way through some of the answers. If an investor raises an issue that the operator is not sure about, the merits of the issue should be acknowledged and follow-up promised and delivered at a later date.

Here are a few other tips on handling the first meeting:

- Prepare an agenda or outline of the most important points to be covered during the meeting.
- Be on time.
- Learn and respect investors' time constraints.
- Determine an investor's knowledge of the subject matter and speak to that level.
- Use plain English; explain jargon if it is occasionally essential to use it.
- Maintain enthusiasm and project confidence on an initiative.
- It is fine to bring along an accountant or consultant, but, as the tourism operator, be clearly in the pilot's seat.

Focus the presentation on the needs of potential investors, particularly:

- Amount of funds required
- Use for funds
- Financial return or outcome expected from the initiative
- Competency and credibility of the company's management team
- Products or services, and the growth and profit potential of the business operation
- Uniqueness or competitive advantage of the business, and
- Obstacles or threats facing the business, demonstrating that a tourism operator is realistic about the future and enhancing personal and project credibility.

Following up

After a meeting, tourism operators should have a sense of whether the meeting was a success or a failure. It would be wise to take a few moments to go through a series of steps analyzing the meeting to learn from experience what might be done differently next time.

Here are several questions worth considering:

- Was the investment proposal clearly written?
- Were there any important points missing in the investment proposal?
- Did the investment proposal appear credible?
- Were data and assumptions believable?
- Were financial projections and analysis realistic, clear and thoroughly presented?
- What about the dynamics of the presentation?
- Was I able to answer all questions? If not, did I agree to provide information as soon as possible?
- Was the chemistry good? If not, why not?
- Did the investor appear to be interested in the product or service and in the industry itself?

Often investors who have read an investment proposal and listened to a presentation make valuable suggestions on how to improve the presentation or to deal with other investors. Irrespective of the outcome of the meeting, tourism operators should seriously consider advice offered by prospective investors. Each meeting should be considered as a learning experience. If a particular investor decides not to invest in the business, it is a good idea to request feedback on the decision and take any corrective action needed.

Conclusion

This guide provides basic information best suited for an operator of a small or medium-sized tourism business to help overcome difficulties in obtaining suitable financing. Remember, obtaining financing takes time and tourism operators will have to invest a great deal of time and effort.

You will find qualifying for financing much easier if you approach prospective investors with a well documented investment proposal. Start the process early. Do not be afraid to ask questions and to seek help from your banker and other potential lenders. Their expertise is to finance good business opportunities and bring in new and creditworthy clients. They are more than happy to assist you in the preparation of your business investment proposal.

When applying for financing, it is important to be candid with investors and present yourself and your business in a professional manner, supported by accurate facts and figures. Remember that your individual tourism business is unique, so your challenge is to convince investors that your business has good prospects for success and that the investment would represent a sound business decision on the investor's part.

If your investment proposal is rejected, do not be discouraged. It is wise to ask for feedback. Try to learn from the experience, go back and improve your investment proposal and either resubmit it to the same investor or try another.

Over the past several years, the Canadian Tourism Commission (CTC) has seen investors add many new products and services aimed specifically at SMEs. The CTC sincerely hopes that the information, suggestions and listing of programs contained in this guide will help you in your efforts to obtain financing and financing-related services, and that this will in turn go a long way toward ensuring your continued success and profitability.

Part II

Sources of Financing

What follows is a detailed—though not exhaustive—list of federal, provincial and territorial government departments and agencies offering both general and tourism-specific financing programs. A pan-Canadian survey of departments and programs is presented, providing tourism operators in every province and territory with information on at least one federal or provincial government department or agency that offers financing.

Each department, agency, program or fund listed includes contact information. Readers are encouraged to use the contact information provided to gain a more complete understanding of these public-sector funding sources. For some programs, only headquarters contact information is provided here. Readers may prefer to contact local offices for further information.

Not included in this section are private financing sources, as these would be too detailed to list in a national publication. Some departments and agencies may be able to direct inquirers to information on private sources of financing available to tourism operators. In addition, local banks or other financial institutions may provide such information.

Federal Government Departments

Canadian Heritage
25 Eddy Street
Hull, Quebec
K1A 0M5
Tel.: 819.997.0055
Toll-free: 866.811.0055
Web site: www.pch.gc.ca

Canadian Heritage offers financial support programs that foster cultural participation, active citizenship and participation in Canada's civic life, and strengthen connections among Canadians.

Human Resources Development Canada
300 Laurier Avenue West
Ottawa, Ontario
K1A 0J6
Tel.: 613.990.5100
Fax: 613.990.5091
Web site: www.hrdc-drhc.gc.ca

Human Resources Development Canada (HRDC) offers various programs, including grants and contributions, to businesses that will assist with human resources planning and recruitment.

Indian and Northern Affairs Canada
10 Wellington Street, North Tower
Gatineau, Quebec
K1A 0H4
Tel.: 819.997.0380
E-mail: InfoPubs@ainc-inac.gc.ca
Web site: www.ainc-inac.ca

Indian and Northern Affairs Canada offers a variety of programs and services that support strong communities and the economies of Aboriginal peoples. The Economic Development Branch offers specific programs targeting the tourism sector.

Industry Canada
C.D. Howe Building
235 Queen Street
Ottawa, Ontario
K1A 0H5
Tel.: 613.947.7466
Fax: 613.954.6436
Web site: www.ic.gc.ca

Industry Canada delivers a broad range of programs and services designed to benefit a diverse client base across Canada. Programs specifically targeting the tourism sector include Aboriginal Business Canada’s Business Financing Program and the Federal Economic Development Initiative, or Northern Ontario FedNor Tourism Fund. Industry Canada also has Internet resources such as Strategis – Canada’s business and consumer site – and Sources of Financing, which will assist you in locating traditional and alternative sources of small business financing.

Canada Business Service Centres
Industry Canada
235 Queen Street
Ottawa, Ontario
K1A OH5
Fax: 613.954.5463
E-mail: webmaster@cbsc.org
Web site: www.cbsc.org

Industry Canada's Canada Business Service Centres (CBSCs) are a gateway to government information for business, providing a wide range of information on government services, programs and regulations. The Centres can also answer questions about starting a new business or improving an existing one.

Federal Agencies and Organizations – National Programs

Business Development Bank of Canada
BDC Building
5 Place Ville Marie, Suite 400
Montréal, Quebec
H3B 5E7
Toll-free: 877.232.2269
Fax: 877.329.9232
E-mail: info@bdc.ca
Web site: www.bdc.ca

Business Development Bank of Canada (BDC) offers a full range of services to support small and medium-sized businesses, including specialized financing and business counselling, management training and mentoring. For tourism, BDC offers the Tourism Investment Fund aimed at businesses looking to expand or acquire facilities to meet increased demand, or to improve existing facilities to meet international competitive standards.

Canadian Tourism Commission
55 Metcalfe Street, Suite 600
Ottawa, Ontario
K1P 6L5
Tel.: 613.946.1000
Fax: 613.952.2320
E-mail: ctc_feedback@ctc-cct.ca
Web site: www.canadatourism.com

The Canadian Tourism Commission (CTC) is an industry led, market driven and research based organization with a mandate to undertake programs to market tourism to and in Canada and to provide information to the tourism industry. Through partnerships, the CTC offers programs that allow tourism stakeholders to increase their marketing reach.

Export Development Canada
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel.: 613.598.2500
Fax: 613.237.2690
E-mail: export@edc.ca
Web site: www.edc.ca

Export Development Canada offers an accounts-receivable insurance to tourism operators and suppliers for inbound travel services. This insurance may allow tourism businesses to offer favourable credit terms to more foreign tour operators, thus making products more attractive and internationally competitive. Insured receivables could also be considered a bankable asset, allowing an operator to secure loans or free up existing working capital to expand or improve a business.

Federal Agencies and Organizations – Regional Programs

Atlantic Canada Opportunities Agency
Blue Cross Centre, 3rd Floor
644 Main Street
P.O. Box 6051
Moncton, New Brunswick
E1C 9J8
Tel.: 506.851.2271
Toll-free: 800.561.7862
Fax: 506.851.7403
E-mail: comments@acoa-apeca.gc.ca
Web site: www.acoa-apeca.gc.ca

Atlantic Canada Opportunities Agency (ACOA) works with its many partners to help entrepreneurs in Atlantic Canada access the capital they need to start up or expand a business. ACOA also coordinates programs designed to stimulate the development and commercialization of new technologies and the climate for business growth generally in the region.

Canada Economic Development for Quebec Regions
Tour de la Bourse
800 Victoria Square
Suite 3800, C.P. 247
Montréal, Quebec
H4Z 1E8
Tel.: 514.283.6412
Fax: 514.283.3302
Web site: www.dec-ced.gc.ca

Canada Economic Development for Quebec Regions programs are intended to support the development of small and medium-sized enterprises in Quebec. Programs are focused on areas such as innovation, productivity, e-business, export market development and entrepreneurship.

Western Economic Diversification Canada
Gillin Building
141 Laurier Avenue West
Suite 500
Ottawa, Ontario
K1P 5J3
Tel.: 613.952.9378
Toll-free: 888.338.9378
Fax: 613.952.9384
Web site: www.wd.gc.ca

Western Economic Diversification Canada (WD) works in co-operation with industry associations, financial institutions and the four western provinces to address the needs of small business and offer business services, such as financing. WD programs include partnerships with both the public and private sectors.

Provincial and Territorial Government Departments

Alberta

Ministry of Community Development
7th Floor, Standard Life Centre
10405 Jasper Avenue
Edmonton, Alberta
T5J 4R7
Tel.: 780.427.2921
Fax: 780.427.5362
Web site: www.cd.gov.ab.ca

The Alberta Ministry of Community Development offers a variety of funding and partnership opportunities in arts, heritage, sports, recreation and parks.

Ministry of Economic Development
Alberta Economic Development
6th Floor, Commerce Place
10155-102 Street
Edmonton, Alberta
T5J 4L6
Tel.: 780.427.0662
Fax: 780.427.2852
Web site: www.alberta-canada.com

The Alberta Ministry of Economic Development works in partnership with the Alberta Economic Development Authority, business, industry associations and other governments to support businesses. Specifically, the Tourism Development Branch provides market and financial advisory services to tourism entrepreneurs, developers, investors and financiers. Its mandate is to facilitate the growth and expansion of marketable tourism products, facilities and attractions in Alberta to increase visitor sales to and within the province.

Travel Alberta
500, 999 – 8th Street SW
Calgary, Alberta
T2R 1J5
Tel.: 403.297.2700
Fax: 403.297.5068
E-mail: info@travelalberta.com
Web site: www.travelalberta.com

Travel Alberta is a co-operative marketing organization working with industry operators, destination marketing organizations, government and non-traditional partners to market Alberta's diverse tourism product to key markets.

British Columbia

Ministry of Community, Aboriginal and Women's Services
Community Services and Culture Department
PO Box 9490 Stn Prov Govt
Victoria, British Columbia
V8W 9N7
Tel.: 250.387.0106
Fax: 250.387.4099
Web site: www.gov.bc.ca/mcaws

The British Columbia Ministry of Community, Aboriginal and Women's Services supports B.C. arts and culture development through its Community Services and Culture Department and, more specifically, the British Columbia Arts Council.

Ministry of Competition, Science and Enterprise
PO Box 9324 Stn Prov Govt
Victoria, British Columbia
V8W 9N3
Tel.: 250.952.0102
Fax: 250.952.0600
Web site: www.gov.bc.ca/cse

The British Columbia Ministry of Competition, Science and Enterprise offers programs to help small businesses gain access to capital, whether a business is just starting out or seeking expansion capital to compete in global markets. These programs offer investors, including employee investors, tax credits for making equity capital investments in qualifying small businesses.

Tourism British Columbia (Tourism BC)
802 - 865 Hornby Street
Vancouver, British Columbia
V6Z 2G3
Tel.: 604.660.4703
Fax: 604.660.3383
Web site: www.tourism.bc.ca

Tourism BC creates consumer-driven marketing strategies that target key geographic markets. Tourism operators have the opportunity to partner into these campaigns. In addition, Tourism BC operates a series of industry development programs to help businesses capitalize on the growing opportunities in the industry.

Manitoba

Department of Industry, Trade and Mines
Legislative Building
450 Broadway
Winnipeg, Manitoba
R3C 0V8
Tel.: 204.945.3751
Fax: 204.945.1561
Web site: www.gov.mb.ca/itm

The Manitoba Department of Industry, Trade and Mines, through its Financial Services and Small Business branches, helps enterprises at various stages of development.

Department of Intergovernmental Affairs
Business Development Branch
604-800 Portage Avenue
Winnipeg, Manitoba
R3G 0N4
Tel.: 204.945.2157
Toll-free: 800.567.7334
Fax: 204.945.5059
Web site: www.gov.mb.ca/ia

The Manitoba Department of Intergovernmental Affairs offers several programs and services that help businesses develop and expand. The Business Development Branch offers programs such as the Rural Economic Development Initiative Program, which provides business-loan guarantees to new or expanding, full-time, small and home-based businesses in rural Manitoba.

Travel Manitoba
7th Floor - 155 Carlton Street
Winnipeg, Manitoba
R3C 3H8
Toll-free: 800.665.0040
Web site: www.gov.mb.ca/chc/

Travel Manitoba works in concert with the province's tourism industry to encourage the growth and development of Manitoba's products and promotes Manitoba as a vacation destination to the expanding global tourism market. These services are provided primarily through Tourism Marketing and Promotions, Tourism Development and Tourism Services.

New Brunswick

Business New Brunswick
Centennial Building
670 King Street, 5th Floor
Fredericton, New Brunswick
E3B 1G1
Tel.: 506.444.5228
Fax: 506.444.4586
Web site: www.gnb.ca/0398

Business New Brunswick provides certain funding for capital expenditures and working capital to enable the establishment, expansion or maintenance of eligible industries, including tourism.

Department of Tourism and Parks
Centennial Building
670 King Street
Fredericton, New Brunswick
E3B 5H1
Tel.: 506.453.3984
Fax: 506.457.4984
Web site: www.gnb.ca/0397

The New Brunswick Department of Tourism and Parks provides support for tourism marketing and sales, planning and product development to help develop the province as a year-round destination.

Newfoundland and Labrador

Department of Industry, Trade and Rural Development
P.O. Box 8700, Confederation Building
St. John's, Newfoundland and Labrador
A1B 4J6
Tel.: 709.729.7000
Fax: 709.729.7244
E-mail: ITRDinfo@gov.nl.ca
Web site: www.gov.nf.ca/itrd

The Newfoundland and Labrador Department of Industry, Trade and Rural Development works in partnership with individuals, communities, businesses and other levels of government to create and maintain a competitive economic environment that encourages private-sector business growth. Programs offered include the Small Business and Market Development Program. This program is designed to provide funding to new entrepreneurs and expanding small businesses and to help them acquire the necessary expertise to pursue new business ideas and new markets for their products or services. As well, the Small Business Seed Capital Equity Program can help new or expanding small businesses access certain equity capital.

Department of Tourism Culture and Recreation
2nd Floor, West Block
Confederation Building
P.O. Box 8700
St. John's, Newfoundland and Labrador
A1B 4J6
Tel.: 709.729.0862
Fax: 709.729.0870
E-mail: tcrinfo@mail.gov.nl.ca
Web site: www.gov.nf.ca/tcr

The Newfoundland and Labrador Department of Tourism, Culture and Recreation offer numerous programs that provide funding, grants and partnership opportunities for the tourism, culture and heritage sectors.

Northwest Territories

Department of Resources, Wildlife and Economic Development
Resources and Economic Development
PO Box 1320
Yellowknife, NT, Canada
X1A 2L9
Yellowknife, Northwest Territories
Tel: 867.873.7115
Web site: www.rwed.gov.nt.ca

The Northwest Territories Department of Resources, Wildlife and Economic Development offers a variety of financial support through programs. The Business Development Fund, Grants to Small Businesses and the Business Credit Corporation are just a few of the programs that offer grants and non-repayable contributions aimed at stimulating employment and economic development. The Tourism Branch also provides support for tourism marketing and product development.

Northwest Territories Development Corporation
7th Floor, Northwest Tower
701, 5201-50th Avenue
Yellowknife, Northwest Territories
X1A 3S9
Tel.: 867.766.7700
Fax: 867.766.7701
E-mail: info@ntdevcorp.internorth.com
Web site: www.ntdevcorp.com

The Northwest Territories Development Corporation promotes financial independence and economic growth in the NWT by investing in businesses and helping them overcome certain financial obstacles.

Nova Scotia

Department of Economic Development
P.O. Box 2311
14th Floor South, Maritime Centre
1505 Barrington Street
Halifax, Nova Scotia
B3J 3C8
Tel.: 902.424.0377
Fax: 902.424.7008
E-mail: econ.comm@gov.ns.ca
Web site: www.gov.ns.ca/econ

The Nova Scotia Department of Economic Development offers knowledge management and partnership development with federal, provincial and municipal governments and organizations that have a provincial or sectoral focus, including tourism. Programs through Nova Scotia Business Inc. and the Community Business Development Corporations provide opportunities for direct financial assistance through term loans and loan guarantees.

Department of Tourism and Culture
World Trade and Convention Centre
1800 Argyle Street
P.O. Box 519
Halifax, Nova Scotia
B3J 2R7
Tel.: 902.424.4869
Fax: 902.424.4872
Web site: www.gov.ns.ca/dtc

The Nova Scotia Department of Tourism and Culture has several programs focused specifically on the tourism, culture and heritage sectors. Tourism programs that provide financial support for marketing, sales and product development are offered through the Nova Scotia Tourism Partnership Council.

Nunavut

Department of Sustainable Development
P.O. Box 1000, Station 1100
Iqaluit, Nunavut
X0A 0H0
Tel.: 867.975.5925
Fax: 867.975.5980
Web site: www.gov.nu.ca/Nunavut/English/departments/DSD

The Nunavut Department of Sustainable Development provides support for the economic development of businesses in the territory.

Ontario

Ministry of Culture
12th Floor, Ferguson Block
77 Wellesley Street West
Toronto, Ontario
M7A 1N3
Tel.: 416.326.9326
Web site: www.culture.gov.on.ca

The Ontario Ministry of Culture has several funds offering financial assistance to arts and cultural industries. Funds include the Cultural Attractions Fund, the Art Endowment Fund and the Cultural Strategic Investment Fund.

Ministry of Enterprise, Opportunity and Innovation
8th Floor, Hearst Block
900 Bay Street
Toronto, Ontario
M7A 2E1
Tel.: 416.325.6666
Fax: 416.325.6688
E-mail: info@eoi.gov.on.ca
Web site: www.ontariocanada.com

Through its Small Business Enterprise Centres, the Ontario Ministry of Enterprise, Opportunity and Innovation provides support to start-up and small enterprises during their first through fifth years of operation. Entrepreneurs are provided with easy access to business consulting services and information covering management, marketing, technology and financing.

Ministry of Northern Development and Mines

99 Wellesley Street, Whitney Block
Toronto, Ontario
M7A 1W3
Tel.: 416.327.0648
Fax: 416.327.0651
Web site: www.mndm.gov.on.ca

The Northern Ontario Heritage Fund (NOHF) and the Resource-Based Tourism Diversification Program (RBTDP) of the Ontario Ministry of Northern Development and Mines offer support specifically to the tourism sector.

The NOHF aims to increase tourism activity in the North. NOHF assists in the identification and development of major destination and regional attractions that reflect the way northerners live and work. With conditional contributions, forgivable performance loans and incentive term loans, the Fund also supports the development of northern marketing strategies and encourages tourism market research to identify future opportunities.

The objective of the RBTDP is to assist the Ontario resource-based tourism sector in identifying and effectively accessing alternative tourism markets that are based on Crown natural resources in Ontario. Through providing practical help in accessing capital for improvements to buildings, equipment and other infrastructure, the program assists the sector in diversifying and improving the utilization of Ontario's natural resources.

Ontario Tourism Marketing Partnership Corporation

900 Bay Street, 10th Floor, Hearst Block
Toronto, Ontario
M7A 2E1
Tel.: 416.325.9823
Toll-free: 800.263.7836
Fax: 416.325.6004
E-mail: General_Info@mczcr.gov.on.ca
Web site: www.tourismpartners.com

The Ontario Tourism Marketing Partnership Corporation (OTMPC) partners with the private sector to develop and deliver integrated, research-driven marketing programs that reinforce Ontario's tourism economy and promote it as a four-season travel destination.

Prince Edward Island

Department of Community and Cultural Affairs

Fourth Floor, Shaw Building
95 Rochford Street
P.O. Box 2000
Charlottetown, Prince Edward Island
C1A 7N8
Tel.: 902.368.4550
Fax: 902.368.5355
Web site: www.gov.pe.ca/commcul

The Prince Edward Island Department of Community and Cultural Affairs provides support for the development of cultural heritage-based activities. Financing opportunities are available through the Cultural Development Program Grant, primarily directed at not-for-profit community-based organizations and cultural groups.

Tourism PEI

P.O. Box 2000
Charlottetown, Prince Edward Island
C1A 7N8
Tel.: 902.368.4801
Fax: 902.368.5277
Web site: www.gov.pe.ca/tourism

The Tourism PEI Tourism Investment Fund provides non-repayable contributions to assist in the development, co-ordination, marketing and/or delivery of eligible tourism initiatives. In addition, Tourism PEI offers co-op advertising opportunities.

Quebec

Department of Culture and Communications

225, Grande Allée Est
Québec, Quebec
G1R 5G5
Tel.: 418.380.2300
Fax: 418.380.2364
E-mail: DC@mcc.gouv.qc.ca
Web site: www.mcc.gouv.qc.ca

The Quebec Department of Culture and Communications offers financial assistance for initiatives in the areas of the arts, heritage and culture.

Tourisme Québec (Tourism Quebec)
900 René-Lévesque Blvd., Suite 400
Québec, Quebec
G1R 2B5
Tel.: 418.643.5959
Fax: 418.643.0549
Web site: www.bonjourquebec.com/mto

Tourisme Québec promotes Quebec as a tourist destination and offers partnership opportunities for marketing and product development.

Saskatchewan

Department of Culture, Youth and Recreation
4th Floor - 1919 Saskatchewan Drive
Regina, Saskatchewan
S4P 3V7
Tel.: 306.787.5729
Fax: 306.798.0033
E-mail: info@cyr.gov.sk.ca
Web site: www.cyr.gov.sk.ca

The Saskatchewan Department of Culture, Youth and Recreation provides financial support for cultural initiatives through programs such as the Saskatchewan Arts Board.

Department of Industry and Resources
2103-11th Avenue
Regina, Saskatchewan
S4P 3V7
Tel: 306.787.2232
Fax: 306.787.2159
Web site: www.ir.gov.sk.ca

The Saskatchewan Department of Industry and Resources offers numerous programs to assist businesses both during start-up and later development. Programs include the Co-operative Development Assistance Program, which encourages and supports the development and expansion of co-operative enterprises, and the Small Business Loans Association Program, which provides funding to community-run organizations and to beginning and non-traditional entrepreneurs.

Tourism Saskatchewan
1922 Park Street
Regina, Saskatchewan
S4P 3V7
Tel.: 306.787.9600
Web site: www.sasktourism.com

Tourism Saskatchewan is a market-driven, industry-led partnership responsible for developing and promoting tourism in Saskatchewan. It offers tourism operators marketing and product-development partnership opportunities.

Yukon

Department of Tourism and Culture
Box 2703
Whitehorse, Yukon
Y1A 2C6
Tel.: 867.667.5036
Toll-free In Yukon: 800.661.0408
Fax: 867.667.3546
Web site: www.btc.gov.yk.ca

The Yukon Department of Tourism and Culture, through the Marketing Branch and Cultural Services Branch, offers support in the areas of marketing, product development and preservation of culture.

WE WANT YOUR FEEDBACK

To help us serve you better, it is important that the Canadian Tourism Commission receive your comments on our publication, *Finding Funding: Ten steps to meet your financial needs.* Your input will help us improve the quality and utility of the information that the CTC provides. Please take a moment to answer this short questionnaire.

You can communicate with us at:

Canadian Tourism Commission
Industry Relations
55 Metcalfe St. Suite 600
Ottawa, Ontario
Canada K1P 6L5
Tel: (613) 946-1000
Fax: (613) 952-2320
e-mail: ctc_feedback@ctc-cct.ca
Web site: www.canadatourism.com

Finding Funding: Ten steps to meet your financial needs

1. How do you rate this publication in terms of the quality of information that it contains?

◯ Excellent ◯ Good ◯ Fair ◯ Poor

2. How do you rate this publication in terms of the degree of usefulness to your operation?

◯ Very helpful ◯ Helpful ◯ Not very helpful

3. What section or area of information did you find:

Most useful? ____________________

Least useful? ____________________

4. What related information do you believe should be added to this publication? Please describe:

____

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5. Do you have any other suggestions to improve this publication?(Feel free to elaborate on a separate page.)

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continued...

6. How do you prefer to receive this type of publication?

◯ Electronically ◯ Hardcopy

7. Please indicate the size and nature of your tourism operation:

◯ Accommodation ◯ Transportation ◯ Food & beverage services

◯ Recreation & entertainment ◯ Adventure tourism ◯ Other (please specify)

Size of operation: ____

8. Are you interested in attending a seminar on the ten step process tourism operators can follow in seeking funding?

◯ Yes ◯ No

Thank you for answering the questionnaire!