

SANGRA MOLLER LLP*Barristers & Solicitors***LEGAL CURRENCY***A Client Communication***Canadian Government Support in Response to the Coronavirus ("COVID-19")**

The Canadian government has responded in a number of ways to the COVID-19 pandemic, which included, among other things, providing a \$10 billion relief package in the form of loans or other forms of credit to Canadian businesses through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC).

To utilize this relief, companies with an existing relationship with the BDC or the EDC are asked to contact their account manager regarding their financial needs. Other businesses may also utilize this relief by contacting their private sector financial service providers or, if seeking to obtain relief from the BDC, by applying online as described below.

The following summary will outline the financing options available to Canadian businesses through the BDC and the EDC.

I. BDC Funding

The BDC's mandate is to promote entrepreneurship, with a special focus on small and medium-sized Canadian enterprises, and to fill the gap in the availability of private sector financing for such enterprises. Three types of financing are available through the BDC: small business loans, working capital loans and purchase order financing.

To be eligible for financing from the BDC, the applicant must be a Canadian citizen or permanent resident and have reached the age of majority in the province or territory where the applicant lives. In addition, the BDC will consider the applicant's credit history in making any financing decisions. The BDC considers a business that has not been generating revenues for at least 24 months to be a start-up and will also require its business plan. Financing is only available to businesses operated solely in Canada.

The full list of eligibility requirements can be found by clicking "read declarations to continue" at https://www.bdc.ca/en/online_financing/pages/loan-application.aspx#/.

We would be pleased to assist in determining your eligibility for funding and in completing the requisite applications.

Small Business Loan

Small business loans are available for up to \$100,000.00 and requires a personal guarantee from the applicant.

Small business loans are offered at BDC's floating base rate (5.05% as of March 17, 2020) plus a variance ranging between 1% and 2%.

Applications can be made online at: https://www.bdc.ca/en/online_financing/pages/loan-application.aspx#/

Working Capital Loan

For loans above \$100,000.00, a working capital loan is available to finance the operations of a business. While there are no strict monetary limits as to what the BDC can lend as a working capital loan, loans are typically capped at \$750,000.00, but may be higher depending on the size of the business.

To apply for a working capital loan, the applicant must submit an online application form at <https://www.bdc.ca/en/financing/business-loans/working-capital-financing/pages/working-capital-financing-form.aspx> and a BDC representative will reach out thereafter.

Purchase Order Financing

The BDC also provides domestic purchase order financing. International purchase order financing is available through the EDC, discussed below. The BDC does not have strict monetary limits for purchase order financing and will be dependent on the circumstances.

To apply for purchase order financing, the applicant must submit an online application form at <https://www.bdc.ca/en/financing/business-loans/pages/purchase-order-financing-form.aspx> and a BDC representative will reach out thereafter.

II. EDC Funding

The EDC's mandate is to support Canadian exporters, investors and their international customers. The EDC partners with the exporter's financial services provider to provide trade credit insurance, export financial services, bonding products and other solutions. Potential applicants are asked to contact their financial services provider first for financing and, if declined, to ask their financial services provider to contact the EDC for potential relief.

The EDC provides the following solutions:

1) Risk management solutions

The EDC can provide credit insurance, which protects a Canadian exporter in the event of non-payment by a customer. The EDC also provides performance security insurance, which protects a Canadian exporter in the event that a letter of guarantee is wrongfully called.

2) Financing solutions

The EDC can provide direct financing to a Canadian exporter or to a Canadian exporter's customers. The EDC can also provide project financing.

3) Working capital solutions

The EDC has an export guarantee program, where the EDC shares the risk of borrowing with the exporter's financial institution, thus encouraging access to working capital. The EDC can also provide a foreign exchange facility guarantee or an account performance security guarantee, to an exporter's foreign exchange contract provider or bank, respectively. Furthermore, the EDC can also provide surety bonds.

This communication is intended to provide general information as a service to our clients and should not be construed as legal advice or opinions on specific facts.