

COVID-19: Financial support for fisheries and aquaculture businesses

As global attempts to curb the spread of COVID-19 continue, fisheries and aquaculture businesses are facing disproportionate impacts.

Border restrictions are disrupting supply chains, labour concerns are leading to falling production and shifting consumer demands are interfering with revenue models.

To support the continued operation of Canada's fisheries and aquaculture businesses, both the federal government and the Province of Nova Scotia have introduced a range of support measures. Here, we summarize 7 programs with the details that were available publicly as of May 11, 2020. Given that interpretations of these programs continue to change daily, we encourage you to speak with a Grant Thornton advisor to understand which financing options are available to you, depending on your specific circumstances.





1. Business Credit Availability Program (BCAP)

Introduced by the federal government, the Business Credit Availability Program (BCAP) is designed to help Canadian businesses in all sectors and regions to obtain financing during the current period of significant uncertainty.

Under this program, Export Development Canada (EDC) and Business Development Bank of Canada (BDC) will provide \$65 billion in direct lending and other types of financial support at market rates to businesses with viable business models whose access to financing would otherwise be restricted.

Administered in close cooperation with financial institutions, this program aims to fill gaps in market access by leveraging additional lending available through private sector institutions. Businesses seeking support through BCAP should contact their primary financial institution to find out how to submit an application.

Notably, two temporary financing programs are available through the BCAP:

- **The Canada Emergency Business Account (CEBA)**, which is making \$25 billion available
- **The SME Loan and Guarantee program**, which is making \$40 billion available

Both these initiatives will be administered by private sector financial institutions. To be eligible, businesses must have been impacted directly or indirectly by recent events and have been financially viable prior to the impact from COVID-19. That said, given the unprecedented economic impact of the COVID-19 pandemic, all legal businesses will be eligible for the BCAP for the duration of the program. This includes both the CEBA and SME Loan and Guarantee program.

The following pages contain details of these programs:

Canada Emergency Business Account (CEBA)

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|----------------------------|--|
| Who can borrow? | Small businesses and not-for-profits. All fishery and aquaculture companies (incorporated and unincorporated) can apply. |
| How can the funds be used? | <ul style="list-style-type: none">• For immediate operating costs, such as payroll, rent, utilities, insurance, property tax or debt service.• Funds may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation. |
| Type of loan | Term loan |
| Amount | Up to \$40,000 |
| Repayment terms | <ul style="list-style-type: none">• If 75% of the loan is repaid by December 31, 2022, 25% (up to \$10,000) will be forgiven• If the loan is not repaid by December 31, 2022, the remaining balance will be converted to a three-year term loan (no principal payments required). The entire loan and all accrued and unpaid interest are due and payable on December 31, 2025. |
| Pricing | Interest free until December 31, 2022, and 5% thereafter |
| Security | The loan is 100% funded by the government of Canada. |
| Underwriting/funding | While funds are being advanced by chartered banks and credit unions, the loan is ultimately funded by the government of Canada. |
| Availability | <ul style="list-style-type: none">• This program is now available via chartered banks and credit unions• Businesses must enroll for the CEBA at their primary financial institution and cannot apply at more than one financial institution• The application process is being done primarily through each lender's online banking platform |
| Eligibility | <ul style="list-style-type: none">• Annual payroll of between \$20,000 and \$1.5 million as evidenced by the organization's 2019 T4 Summary of Remuneration Paid (T4SUM)• A Canadian operating company registered in Canada on March 1, 2020 that has a 15-digit Canada Revenue Agency (CRA) Business Number• Has an active business chequing/operating account with a primary financial institution. This account was opened on or prior to March 1, 2020• Not delinquent on existing borrowing facilities (with primary lender) for more than 90 days as of March 1, 2020• The borrower acknowledges its intention to continue to operate its business or to resume operations |
| Reference | CEBA BCAP |

SME Loan and Guarantee program

| BDC co-lending | |
|----------------------------|---|
| Who can borrow? | Small and medium-sized businesses. All fishery and aquaculture companies (incorporated and unincorporated) can apply. |
| How can the funds be used? | For operational and liquidity needs, which could include interest payments on existing debt |
| Type of loan | Term loan, co-lending with 80% provided by BDC, with the remaining 20% provided by a financial institution |
| Amount | The program is designed in three segments to target support for different business sizes: <ul style="list-style-type: none">Loans of up to \$312,500 to businesses with revenues of less than \$1 millionUp to \$3.125 million for businesses with revenues between \$1 million and \$50 millionUp to \$6.25 million for businesses with revenues in excess of \$50 million |
| Repayment terms | Interest-only for the first 12 months, term up to 10 years and amortization up to 20 years |
| Pricing | Commercial interest rates (risk based), pricing determined by financial institution |
| Security | Determined by financial institution. |
| Underwriting/funding | <ul style="list-style-type: none">Underwritten by chartered banks and credit unionsFunded 80% by BDC and 20% by financial institutions |
| Availability | <ul style="list-style-type: none">This program is now available; contact your existing financial institution account manager.Program is available until or before September 30, 2020 |
| Eligibility | <ul style="list-style-type: none">Available for businesses that were financially viable prior to the COVID-19 outbreakEach financial institution has discretion on how to operationalize the program. For example, a financial institution may only offer the program to commercial accounts and not to small business accounts as defined internally by the lenderApplications must be made and can only be adjudicated through the bank or other authorized financial institution with whom you have an existing banking relationship |
| Reference | <ul style="list-style-type: none">Government of Canada - Department of FinanceBusiness Development CanadaRBC Business Banking Support |

EDC BCAP guarantee

| | |
|----------------------------|---|
| Who can borrow? | Small and medium-sized businesses, both export and domestic. All fishery and aquaculture businesses (incorporated and unincorporated) can apply. |
| How can the funds be used? | For operational expenses, not for dividend payouts, shareholder loans, bonuses, stock buyback, option issuance, increases to executive compensation or repayment/refinancing of other debt. Funds are meant to be used for short-term emergency funding. |
| Type of loan | Operating credit and cash flow term loans, which are 80% guaranteed by EDC. Must be a new loan facility which is separate from existing lending facilities. This guarantee is a streamlined version of EDC's existing guarantee program. |
| Amount | Up to \$6.25 million |
| Repayment terms | Guarantee available for up to 5 years. Term and amortization is at the discretion of the Chartered banks and credit unions. |
| Pricing | <ul style="list-style-type: none">• Commercial interest rates (risk based), with pricing determined by primary lender.• EDC fee on total loan amount (1.8%), with a six-month fee payment deferral. |
| Security | Loan is 80% guaranteed by EDC, with security determined by your financial institution. |
| Underwriting/funding | Underwritten by chartered banks and credit unions. EDC approval is only required at the application stage. |
| Availability | <ul style="list-style-type: none">• This program is now available; contact your existing financial institution account manager• Businesses must complete an EDC online application. Once EDC advises the primary financial institution that the application has been approved, your financial institution will follow up with you regarding next steps |
| Eligibility | <ul style="list-style-type: none">• Available for businesses that were financially viable prior to the COVID-19 outbreak• Each financial institution has discretion on how to operationalize the program. For example, a financial institution may only offer the program to commercial accounts and not to small business accounts as defined internally by the lender. As well, each institution can decide whether or not sole proprietors are included.• Applications must be made and can only be adjudicated through the bank or other authorized financial institution with whom you have an existing banking relationship• Eligible companies could obtain credit of up to \$12.5 million through BDC's co-lending and EDC's BCAP guarantee programs |
| Reference | <ul style="list-style-type: none">• BCAP• Business Development Corporation COVID-19• Export Development Canada |



2. BDC COVID-19 working capital loan

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| Who can borrow? | Small and medium-sized businesses. All fishery and aquaculture businesses (incorporated and unincorporated) can apply. |
| How can the funds be used? | For working capital purposes, not for dividend payouts, shareholder loans, bonus-es, stock buyback, option issuance, increases to executive compensation or re-payment/refinancing of other debt. |
| Type of loan | Term loan |
| Amount | From \$100,000 to \$2 million |
| Repayment terms | <ul style="list-style-type: none">• Principal payments can be postponed for up to 12 months for all qualifying businesses and for existing BDC clients• Following the initial 12-month principal payment free period, 40% of the loan must be repaid within the next 24 months• The remaining 60% is payable in a balloon payment due in the 36th month |
| Pricing | BDC floating base rate +/- 0% effective May 1, 2020. BDC's floating base rate was 4.55% as of April 28, 2020. |
| Security | Requires a general security agreement (second position) and a personal guarantee (likely 100% of the loan balance given subordinated position) |
| Underwriting/funding | BDC |
| Availability | This program is now available. Please contact a local account manager for application details. |
| Eligibility | <ul style="list-style-type: none">• Available for businesses that were financially viable and revenue-generating prior to the COVID-19 outbreak• Business must have been impacted by COVID-19• Excluded from the program are: start-ups, refinancing loans from other institutions and special accounts (SA)• On a situational basis, BDC may require some degree of written concurrence from the primary lending institution that the bank will not pull their line of credit or other lending facility |
| Reference | <ul style="list-style-type: none">• Business Development Canada COVID-19• Business Development Canada news release |



3. Farm Credit Canada

Farm Credit Canada (FCC) has received an enhancement to its capital base that will give it an additional \$5 billion in lending capacity for the agriculture and food industry. The aim is to provide primary producers, agribusinesses and food processors with continued to necessary capital.

Specifically, FCC has put in place:

- For existing clients: a deferral of principal and interest payments up to six months for existing loans or a deferral of principal payments for up to 12 months
- For existing and new clients: access to additional credit through the two new programs listed below

FCC revolving credit line

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| Who can borrow? | <ul style="list-style-type: none">• Primary producers, agribusinesses and food processors• All aquaculture-related businesses (incorporated and unincorporated), including hatcheries, farming, holding/grading, processing, logistics, trucking and cold storage. This applies across all aspects of the supply chain• Wild fish/seafood businesses (incorporated and unincorporated), if your activities include holding/grading, processing (including Frozen-at-sea trawlers), logistics, trucking and cold storage. Excludes fish/seafood harvesting (for example, FCC does not provide financing for boat or quota acquisitions) |
| How can the funds be used? | To ensure access to cash flow. Funds are not intended to pay out other debts |
| Type of loan | 24-month revolving credit line |
| Amount | Up to \$500,000 |
| Repayment terms | <ul style="list-style-type: none">• Interest only• Must resolve to below 50% of the limit (\$250,000) once per year for at least one business day• At the end of 24 months, the expectation is that the loan has either revolved down to nil or, if a balance remains, has been refinanced with another FCC product or combined into an existing lender operating line |
| Pricing | Prime +1%, with no fees |
| Security | <ul style="list-style-type: none">• General security agreement, although first priority is not required• Some level of personal guarantees will be required |
| Underwriting/funding | FCC |
| Availability | This program is now available. Apply online or contact your local account manager. |
| Eligibility | <ul style="list-style-type: none">• To be eligible, customers must have proven viability prior to COVID-19• Business has been impacted by COVID-19• Canadian-based companies only• Same eligibility criteria as for other FCC products• Each application will be assessed on a case-by-case basis. Businesses applying for FCC lending products are subject to normal lending due diligence, which considers business viability and credit history, as well as management integrity and experience |
| Reference | <ul style="list-style-type: none">• FCC COVID-19• FCC news release |

FCC term loan

Who can borrow?

- Primary producers, agribusinesses and food processors
- All aquaculture-related businesses (incorporated and unincorporated), including hatcheries, farming, holding/grading, processing, logistics, trucking and cold storage. This applies across all aspects of the supply chain
- Wild fish/seafood businesses (incorporated and unincorporated) if your activities include holding/grading, processing (including Frozen-at-sea trawlers), logistics, trucking and cold storage. Excludes fish/seafood harvesting (for example, FCC does not provide financing for boat or quota acquisitions)

How can the funds be used?

To be used for working capital and/or automation/optimization expenses to modify production due to the impacts of COVID-19. Some examples may include robotics, fruit and vegetable pick and place, washing and cleaning equipment, packing lines, e-commerce enablement, onsite housing for workers, standardized processes and training

- Can be used to consolidate current liabilities, such as scheduled debt payments, recurring expenses, accounts payable and operating credit
- Funds cannot be used to pay out term debt or purchase term assets in the normal course of business
- Not meant to be used for normal day-to-day capital expenditures

Type of loan

Term loan

Amount

Up to \$2.5 million (FCC will also consider higher amounts on a case-by-case basis)

Repayment terms

- Interest-only payments are acceptable for up to 18 months
- Amortization is a maximum of 10 years (not including the interest-only period)

Pricing

Commercial interest rates (risk based); processing fees are waived

Security

- Personal property / real property security or a general security agreement are acceptable
- Security type must be appropriate based on the size of the credit facility, the amortization period and the risk of the file

Underwriting/funding

FCC

Availability

This program is now available. Apply online or contact your local account manager.

Eligibility

- To be eligible, customers must have proven viability prior to COVID-19
- Business has been impacted by COVID-19
- Canadian-based companies only
- Same eligibility criteria as for other FCC products
- Each application will be assessed on a case-by-case basis. Businesses applying for FCC lending products are subject to normal lending due diligence, which considers business viability and credit history, as well as management integrity and experience

Reference

- [FCC program details](#)
- [FCC news release](#)



4. Nova Scotia Fisheries and Aquaculture Loan Board (NSFALB)

The Nova Scotia Fisheries and Aquaculture Loan Board (NSFALB) is allowing clients to defer the payment of loan principal and interest between April 1, 2020 and June 30, 2020. There is no fee for this deferral and making the request won't affect your credit score.

While interest on your outstanding balance will continue to be charged, you won't have to pay it in April, May or June. Instead, you can simply remit any deferred principal and interest payments at the end of the loan period. If the loan is set up as blended equal payments, your payment amount at the end of the period will remain the same. If the loan is principal plus interest, however, your payment will increase.

If you don't need principal and interest deferral, you can still choose to make interest-only payments. All clients with payments due April 1, 2020 can expect to be contacted by telephone to discuss the process and confirm that a deferral is required.

Any deferral required after June 30 will be considered on case-by-case basis. Additionally, the NSFALB continues to accept requests for new loans.

For more information, please visit the [COVID-19 page](#) at the Nova Scotia Fisheries and Aquaculture Loan Board.



5. Canadian Seafood Stabilization Fund

Given the COVID-19 pandemic, the government of Canada has announced its intention to provide \$62.5 million of assistance to the fish and seafood processing sector. This investment is designed to help food system remain resilient by enabling Canada's fish and seafood processors to safely and efficiently process, store, package and distribute products sourced from fish harvesters and aquaculture operators.

Because this program is not expected to be rolled out until mid-May, details on how and when processors can apply for assistance are not currently available. Based on information released to date, however, it appears this program will be available to fish and seafood processors, who can use the funds to:

- Access short-term financing to pay for maintenance and inventory costs
- Add storage capacity for unsold product
- Comply with new health and safety measures for workers
- Support new manufacturing/automated technologies to improve productivity and the quality of finished seafood products
- Adapt products to respond to changing requirements and new market demands
- For more information, contact your local ACOA office or visit [this link](#).

[Reference](#)



6. Small Business Credit and Relief Program

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| Who can borrow? | <ul style="list-style-type: none">• Small businesses and not-for-profits (including sole proprietorships, partnerships, corporations, co-operatives, societies and social enterprises)• Open to all fishery and aquaculture companies (incorporated and unincorporated). |
| How can the funds be used? | To help small businesses affected by COVID-19 by providing a loan, a grant, and a business continuity voucher for advice and support. Delivered through participating provincial credit unions. |
| Type of loan | Term loan or line of credit |
| Amount | Up to \$25,000 |
| Repayment terms | <ul style="list-style-type: none">• No principal payments are due until June 30, 2020.• Term loan of up to 10 years, or a line of credit up to seven years. |
| Pricing | Commercial interest rates (risk based). |
| Security | The maximum guarantee supplied by the Province of Nova Scotia will be 100% of the value of all facilities granted. |
| Underwriting/funding | Participating provincial credit unions |
| Availability | <ul style="list-style-type: none">• Due to the high volume of applications received, the application process has been temporarily paused to assess the amount of funding still available.• If you're approved for the loan, you're also eligible for a one-time grant of up to \$1,500 and business continuity voucher of up to \$1,500 for advice and support to help your business adapt to or recover from the effects of COVID-19. The business continuity voucher is administered by Nova Scotia Business Inc. and is available April 29 to June 30 2020. Funded projects need to be completed by July 24 2020. |
| Eligibility | <ul style="list-style-type: none">• The loan application is available from April 29 to June 30, 2020 - currently on hold• Small businesses and non-profits (including sole proprietorships, partnerships, corporations, co-operatives, societies and social enterprises).• Your payroll needs to be under \$20,000 in 2019. You also need to have experienced a decline in sales revenue of at least 15% in March 2020 or at least 30% in April, May or June 2020, compared to the same period in 2019. |
| Reference | Province of Nova Scotia |



7. Additional support from select chartered banks

In addition to the programs already discussed, Canada's chartered banks are offering several initiatives to assist businesses impacted by COVID-19. Some of this support includes:

Mortgages and term loans

- Offering principal deferrals of up to six months, if necessary
- Offering principal and interest deferrals of up to six months in limited circumstances. Not all lenders are allowing interest deferrals. Lenders are encouraging all clients to keep paying interest if they can
- No additional security is being taken in support of the deferral requests

Operating loans

- Temporary limit increases are available (up to six months) for unmargined operating lines. Depending on the loan size, these increases range between 10% and 25%

- Temporary limit increases are available (up to six months) for margined operating lines on a case-by-case basis. Some banks are adjusting their borrowing bases, so instead of only allowing receivables under 90 days to be margined, they may now include receivables between 120 and 180 days. In addition these cases, portions (carve-outs) of the operating line may be allowed to stay unmargined.
- For margined operating lines, overall lending formulas based on receivables and inventory have generally not changed. Additionally, lenders have not seen any material increase in their clients accessing EDC or other types of receivable insurance products.

Where possible, the lenders will work with their clients to refinance existing debt or lend new capital using existing bank programs. To supplement their offerings, the banks will also turn to the BDC co-lending and EDC BCAP guarantee programs.

We're here to help

We understand that you want to be agile and responsive as the situation unfolds. Having access to experts, insights and accurate information as quickly as possible is critical—but your resources may be stretched at this time.

We're here to support you as you navigate through the impacts of coronavirus on your business and your investments.

This document is intended as an overview of the information that is available regarding the government financing programs and the possible financing options that exist. If you need specific advice on your circumstances that you intend to take action on, we would be happy to enter into an engagement letter and apply the knowledge we have to your specific circumstances. Please be aware that the interpretations around these programs can change daily and our answers are based on the information publicly available at this time. In these circumstances, we cannot guarantee any specific result. This overview is not intended as actionable advice unless we are retained on the matter.

Visit our [COVID-19 Hub](#) for timely information and resources and connect with your [Grant Thornton advisor](#) to learn more.



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