

Access to Capital and Cash Webinar

BMO for Women | March 30, 2020

Laura Reinholz

Hello and welcome to our webinar on access to capital and cash management. We're pleased you can join us today and we hope that the information provided will be helpful. I'd like to start by thanking our experts on the panel and welcoming them. Julie Barker-Merz, Regional President, Personal Banking, BMO Financial Group. Laura Didyk, Vice President, National League, Women Entrepreneurs BDC. Jennifer Cooke Corporate League, Women in Trade EDC and Sheri Griffiths, Regional President, Business Banking, BMO Financial Group. I'd also like to thank everyone who submitted questions for this session. I'll be asking each panelist questions that were submitted by you, our webinar registrants. Each panelist will answer questions for 15 minutes and then I'll shift to our next panelist. There were a large number of questions and we've done our best to prioritize by identifying common and more pressing themes to answer for you. We'll be working with our subject matter experts to create a document that addresses a wider number of questions and concerns. I will start with questions for Julie Barker-Merz. The government has put forward an economic relief budget, will BMO be providing reduced rates for credit facilities, for example, loans, mortgage etc. as a result of the stimulus package?

Julie Barker-Merz

Okay, great question and good afternoon and good morning everyone, depending on what parts of the country you're calling in from. So let's first start with interest rates. I will say that this has been a bit of a moving target for the last couple weeks and as of this morning, rates have again been reduced across the board. So beginning with the prime lending rate now down to 2.45%, which is basically down to 2009 levels, and we do anticipate further relief over the coming days and weeks. Now, what this means is that if you have any lending products that are based on a variable rate, such as lines of credit, and in some cases mortgages, this is going to have a really good impact to you. For lines of credit, your minimum payments will go down. As the interest rates go down, you are required to pay less on those lines of credit and it will impact your cash flow. For mortgages, you'll begin to pay down more on your principal as a result of the drop on interest rates when they're attached to a variable rate mortgage. And that's always a really good thing. And we can talk in a moment, I'm going to talk to you a little bit about what you can do in cases of changing your mortgage payments over time, so stick with me on this one, but for now, just know that if you have a variable rate product, your rates are going down.

Julie Barker-Merz

Now in terms of credit cards, there are many different types options available in the market. And if rates are a concern, meaning if you don't believe you can pay down your credit card payments monthly, then you are encouraged to look at the various alternatives out there. And there are many. And so take a look, you may want to switch into a different product option that will give you reduced interest rates. They are out there. And then this covers in terms of the economic relief, this talks about reduced rates on credit facilities, and this will lead me into the next question. So, Laura, maybe I'll ask you to trigger the next one.

Laura Reinholz

Okay, thank you. What are my options for my personal debt, mortgage, credit card and credit line?

Julie Barker-Merz

Yeah, so that one's directly tied to the first one, which is why they do kind of go together. So to help you with immediate relief, banks are offering a six-month payment deferral on loans, cards, lines of credits – including mortgages when I say loans – with no fee and no changes to the terms of your product. So let me repeat that. We're offering up to six-month deferral on loans, car payments, lines of credit mortgages with no fee and no changes to the terms of your account. And this is across all financial institutions. This is a program put in place by the government that we've jumped on and begun to implement. In fact, we're receiving requests, I think by the minute on this one to defer. Now a couple things that are really important for all of you to be aware, you must understand that a deferred payment does not mean a relief in your payment. It does not change the amount that you owe on your debt. You're still going to have to pay back the amount that you defer eventually, plus interest. So this is really recommended for those people who need who need a pause on their payments, they need to skip a payment, knowing it's going to be added at the end. This deferral is available for all requests received prior to June 30, 2020. So you don't need to jump on this if you're not sure you're going to need it. And you can select anywhere from one to six months at any time. You can choose one month now and then a couple months or four months you can choose: "You know what, I'm going to need another one or two months relief." And then you can begin to to normalize on your payments. The only qualifier, at least it'd be my understanding that other financial institutions have some variability in the qualifier, but the only qualifier at BMO is that your mortgage is in good standing and not in arrears. That's it. As long as you've been making your payments up to date, you qualify for the one- to six-month deferral on your mortgage and you simply choose what you want, what makes sense for you. Now, if your mortgage is in arrears, we have totally separate programs for that. So I won't go into that today. But what's important for you

to understand is that you can defer your payments, a deferral does not mean forgiveness on the payment, it just means you're adding it on to the end. So just want to make sure that you're all aware of that one.

Julie Barker-Merz

Laura?

Laura Reinholz

Thank you. And, how can I review and improve cash flow?

Julie Barker-Merz

This is probably the biggest question outstanding right now, especially for small business owners. Well, I'd suggest for actually all business owners, is trying to manage that cash flow. And on the personal banking side for many small business owners as well a lot of your debt is closely aligned to your personal debt. So I'm going to give you a couple strategies other than what I've just declared. So, we have talked about skipping payments, that is a very good strategy to manage cash flow. So let me start with that. If you do need cash, use the options that I've described around deferring your payments, that is a very good option. Now, other options that are available to you that you may not realize is re-amortizing your debt or consolidating your debt into a term loan. And so I'm going to speak again, specifically on the personal banking side. My colleagues, I will share with you some of the strategies later on in the call. But if you've got personal debt, or mortgages, for example, you can do a couple of things. You can either do what's called a "blend and extend" to take advantage of low interest rates and lock in the rate for future years. And this could change your payments as well. This could actually change your mortgage payments, you can either break your mortgage and pay the penalty, get a reduced rate, and re-amortize that mortgage and you will actually change the cash flow, you'll change the amount of payments that are required for you to pay out today and into the future. In some cases, you may want to simply plan forward in anticipation of increasing mortgage rates over the next few years. And what you can do there is actually extend your rate, take advantage of the very low interest rates and lock it in for future years. So for instance, if you have two years left on your mortgage, you can extend it to three, four or five years using your current rate blended with the new interest rates to lock in your payments. So it's not just about planning for today, but it's also planning for the future. And these are really good strategies. Now another option is to actually refinance your mortgage. So you can either take some of the value out of your home, or what we call equity, to unlock cash to help pay off other debt and take advantage of the low interest rate. So this is a really good option for those of you who have homes that are mortgage-free or perhaps you have appreciated equity in your home over the years, you can actually tap into that refinance your mortgage, which is the lowest way you will

acquire debt at this stage is if you take a mortgage-backed loan, you can have the lowest amount of interest on that. Take that money out and pay down higher interest products. Or simply take that cash to hold you off for the next two, three, four months depending on what your cash situation looks like. So that's the first one is to refinance your mortgage, to take equity out of your home, use that cash at the lowest possible interest rate to pay down debt or to use as cash to keep you going over the next few months. Another option, again, if you've had a mortgage for several years, and you've been paying down your mortgage, you've been paying down your principal and interest payments, you can actually extend your amortization back to 25 years. So say you've had your mortgage now for 10 years, you've been paying it down. Your amortization is now 15 years. You can actually re-extend it back to 25 years to reduce your mortgage payments. So that is also another great solution, keeping in mind that you may do this for a short period of time, and you can easily get back to that 15 year milestone by doing lump sum payments when you have the freed-up cash over the course of the next year, two or three years. And so amortizing it back to 25 doesn't mean that you're going to now have a 25-year mortgage and it's going to take you a lot of time to pay off. It just means you're using that strategy to help free up some cash, whether in your monthly payments or in actual dollars, so that you can redirect your money to other parts of either your business or your cash flow. This is a great way to unlock cash for a short period of time. Now finally, one last option if you don't want to touch the equity in your home, or adjust the remaining life of your mortgage, you can consider what is called debt consolidation. So this is when you term out any revolving debt, such as credit cards, into one loan that you pay down over time. This isn't going to impact your cash flow, but it will put you on a path to paying down your debt so that you aren't simply spinning your wheels, paying interest only, and never getting ahead on your overall debt. This is a very good solution to help take back control in a period where you may be out of control. This could be something that you entertain in a few months, may not be something that you think about today. But term loans offer lower interest rates than credit cards. And it's a very good option if you're no longer using the revolving portion of your credit. So keep that in mind as perhaps a longer term solution as you get through the next, call it three to six months. Back to you, Laura. Laura, you may be on mute unless we lost you. Alright, I'm going to assume that we lost

Laura Reinholz

Oh!

Julie Barker-Merz

Oh, there you are.

Laura Reinholz

I'm sorry about that. How do I support my employees?

Julie Barker-Merz

Yeah, so this is another big one. And this seems to be changing by the minute as well, with really good news from the government. Last week, as you all may have read, and if not, I'm happy to share the good news. The Canadian government announced some terrific measures to help businesses with their payroll. So this is for companies who have payroll between 50,000 and a million dollars basically, your business is going to get \$40,000 interest-free until December 31, 2022. So \$40,000, up until December 31, almost two years of interest-free loan. At the end of this year-and-a-half, call it, if you paid back in full by that date, you will be granted a 25 percent rebate or in the case of \$40,000, \$10,000. So \$10,000 right in the bank, if you've taken out the full 40. Now if you don't pay back by December 31, 2022, you'll have three years to pay back. You'll be paying that back with interest, of course, but at a reduced interest, and it'll allow you to get your your business back on track. There's a lot more to come on this program. There are many other programs that keep coming out, day in and day out, which is fantastic. And all of the banks are working really hard to put this in place for you. And as you can appreciate, this is all net new, this is not something we typically are involved in. So we're building as we go, when we expect that within the next two or three weeks, all of the banks will have an online option. There's going to be an online questionnaire for you to complete. It's going to be very simple and very quick. So keep your eyes open at bmo.com for more details as they become available, and we'll continue to keep you posted on any other new programs coming in from the government that we will help facilitate as an intermediary.

Laura Reinholz

Thank you, Julie. And your last question is: what are best practices with customers?

Julie Barker-Merz

Thank you. Yeah, this is a this is a big one. I'm not sure what was in behind that question. You may have had different ideas for whoever asked this. But I thought, I thought it would be a good one for me to draw on as much as someone in the customer experience business, as well as I'm thinking of all of you as small business owners, and how you can be handling this with your own ecosystem. So the first thing I would say is communication. In these times, you cannot overcommunicate with your customers. So not unlike what we're doing today with this webinar, keeping your customers abreast of your own challenges, and getting creative on ways to overcome any of those challenges you're being faced with, will be key. I think this is where communities really come together and it's okay to I think show that vulnerability of the challenges that you have, and getting some feedback from your customers. What do they need from you and how can they help you through this really trying time? This is a bit of a domino effect. And I want you all to consider that everybody's got

something that they're kind of losing and gaining as we go. And so consider renegotiating terms with your customers, or offering something free or discounted service for them to drive loyalty, you better believe that four or five years from now, when your customer calls you up, and they say, "I stuck with you, because of COVID-19. When you did this, this created loyalty for me and I will never, never let you down." We still hear that as a bank, for people who we checked in on in 2008, 2009, that they're calling us back now and saying, I trust you're going to take care of me. And so think about that as yourselves as the consumer. And think about from the perspective of your own customers, what they need from you today, and see how you can help out. There are a ton of free webinars floating around cyberspace right now. And just the great opportunity to engage with your customers perhaps a little bit differently. So, I think in times like these there are both positives and negatives, and it's pretty amazing what happens when we all come together and support each other during times like these. And so I encourage you to reach out. And don't give up and keep working through the challenges that you have and create community around you. And we'll all help each other through it. So I'm going to close on that note, Laura, and I'll invite you to bring on questions for my other panelists.

Laura Reinholz

Thank you, Julie. I also want to note to those who are submitting questions in the chat that we will try to get to them at the end of this if we have time. But we will also reach out separately to answer if we can't get to them on this call. So I'll move on to questions now that were submitted for Laura Didyk, who's joining us from BDC. Laura, there have been a lot of announcements by the federal government in regard to BDC support for SMEs. Can you tell me what they are, and how to access them?

Laura Didyk

Yeah, good afternoon. Thank you. So BDC has both financing and business advice to help business owners get through these incredibly difficult times. And I'll talk about the financing programs first. But they're all very collaborative. We've taken a very collaborative approach with all the financial institutions. We're all, as Julie mentioned, we're all working together to help small businesses get through this. And so there's been four programs that have been announced by BDC just in the last two weeks, so I'll go through each of them quite quickly, but encourage everybody to look at our website, visit our website bdc.ca/coronavirus for more details and regular updates actually, because things are changing. I'd like to say daily, but it's almost hourly right now. So the first one I'm going to talk about is BCAP which is the Business Credit Availability Program. It was announced on March 13. And through this program, EDC and BDC are providing more than \$10 billion in lending to help private institutions fill the market gap in credit. So businesses that are seeking support through the BCAP program should first contact their financial institution, who they have an existing relationship

with, and the financial institution will assess the client's financial request and their need. And if the client need exceeds the support that the financial institution is able to provide, then the financial institution is going to reach out to us and to EDC to access the additional resources that the government has made available under BCAP. So that's that one. The second one is on March 18. Then BDC, we also announced an additional financing program for BDC clients, and these are working capital loans for up to \$2 million with flexible repayment terms. And they are available to businesses that were financially viable prior to the impact of COVID-19. So if you had a viable business before, and you've been impacted directly by COVID-19, then you may qualify for this. So if you are a BDC client, you should reach out to your BDC account manager and talk to them about it. If you're not a BDC client, and you do want to access this program, we do recommend that you do first contact your financial institution. And, because obviously, you do want to be able to tap in to BCAP and some of the other programs that have been recently announced through the government initiative. So, do talk to your financial institution. Communication is really, really key to make sure we're all on the same page. We all understand, you know, who's doing what. And so we're really recommending that you do that. So the third one I want to talk about is also for if you are an existing BDC client, similar to what Julie mentioned for BMO and all the other financial institutions. With our financing clients, we are offering a postponement of principal payments for up to six months on the existing loans that you have. And this can be applied for. You need to apply for it because, you know, you may or may not want to do this. So you can apply for it by contacting your existing BDC account manager. And they will look after that for you. So, finally, the fourth one I'm going to talk about it was announced on Friday and it's the small and medium sized business loan and guarantee program, which will also help financial institutions provide additional credits and liquidity options and it's backed by BDC and EDC. This program will operate under two lending streams. One is with BDC. And the other lending stream is through EDC. Both are in collaboration again with the financial institution. So, I'll leave the EDC one up to Jen Cooke to talk about because she'll be talking after me. But the BDC one is a new co-lending program that will bring BDC together with financial institutions to co-lend term loans, for businesses for their operational cash flow requirements. So businesses may obtain incremental credit amounts of up to \$6.25 million. And 80 percent of that money is provided by the BDC. And the remaining 20 percent is provided by the financial institution. So that's how we're working together. And businesses that would like to tap into this program can access the program through their financial institution. The announcement was just made on Friday, so I think they're still working through all the details, but definitely, again, I think the moral of the story is to make sure you're working with your existing financial institution and talk to them about the requirements that you need, and then we'll all work together. So I've talked about the financing options, those are the four that I've just talked about. But I also wanted to mention that we also have numerous free tools available for business owners to help them manage through this. And you know, there's the financing end of it. But there's also important

topics like, you know, business continuity and how you're going to go through this and updating your business continuity plan or developing one if you don't have one. We have a free one on our website. We have a cash flow planning tool on our website, we have lots of free webinars that may help you in leading and managing through this, all for free of charge. So they're on our website, bdc.ca, under "Articles and Tools," the section called "Articles and Tools" at the top, and I encourage everybody to go through that and to see if there's anything there that can help you. So, Laura?

Laura Reinholz

Thank you. You didn't mention the new Canada Emergency Business Account, can you explain what it is, who can benefit from it and how to access it?

Laura Didyk

Yeah, since, I mean Julie talked a little bit about this, and I'll read some of it to share. I believe Sheri is going to talk about it. But this is also a new program. It was announced on Friday. And there's a little bit of confusion about it, because it was kind of announced at the same time as the small and medium sized business loan and guarantee program that is through BDC and EDC, that this new program, as Julie mentioned, it's an immediate \$40,000 loan for small businesses. And basically, they can tap into a interest free loan for small businesses in the form of a line of credit. They are guaranteed and funded by the Government of Canada, and it will allow small businesses to pay for rent and other important costs that cannot be deferred. And that's what they're supposed to be used for. But this program is not administered by ourselves. It's not administered by BDC. They are administered through the financial institutions. So I'll leave it at that. And I'll let Sheri talk a little bit more about it. When she speaks to it.

Laura Reinholz

Thank you. What can I do right now while I wait on workshare to increase the chances of business survival?

Laura Didyk

Yeah. So, I mean, what I want to talk about here is your business continuity plan. And it's so so so important that you do prepare one and as I mentioned that you can go on our website, and there is one there, but there's also numerous other websites, I'm sure that you can access one but we have a free one on our website. And the goal is to help you sustain your ongoing operations and help you enable a recovery. So you know, you need to consider other ways to get your products and services into your company and to your customers' hands if you can, and we've, you know, we've probably all seen on LinkedIn and heard about some great things that businesses are doing, really, really innovative things from not only delivering their products and services at home, but finding,

you know, kind of pivoting on what they're doing and finding other ways to getting the existing products and services they have into their customers' hands, or altering their service offering a little bit to be able to keep a little bit of revenue going. And I think we all need to- I encourage everybody to kind of think outside the box a little bit en masse, and see if there's other ways that you can just keep a little bit of cash flowing. And you know, we all have to adapt. We're all adapting as we go. But that time will really, really help you focus on the priorities of your business, and plan your future cash flow, which will help you then determine how much money you need to survive, and how much money you'll need to then recover. Because recovery is very important. And it's really important to remember that each change that you make has an impact on your cash flow. So it's really important that you plan and implement changes in your businesses. And that as you do that you adjusted into your cash flow plan and look at the effect that those changes will have on your cash flow, and the business continuity plan is all part of that and looking at your employees and everything.

Laura Reinholz

Thank you. All of these government loans sound great, but will they bury me further because I have no work coming in the door? And how do I determine if I should take that risk?

Laura Didyk

So we all know that cash flow is king. And you know, this is such a difficult question because I think the biggest challenge about COVID-19 is that nobody really knows for sure when we're going to get back to what people are calling "the new normal." I think everyone can agree that at some time, we will be able to reopen our doors again. But the biggest question is, is when, and I think that's the biggest challenge when it comes to cash flow. So we're really encouraging people to develop a weekly cash flow plan and you may have a couple different scenarios for your cash flow plan. So you know, what is it going to look like if you can't get going for the next month or three months or six months, and I say weekly cash flow plan because you need to get down to each week right now. You can't even be looking at monthly you need to be looking at it weekly. And we have - I encourage everybody - we had a great webinar on BDC.ca, or on BDC's YouTube channel that we just delivered last week and it's entitled "How to cope with the impacts of COVID-19" on your business and it walks you through, step-by-step, how to create your cash flow plan. And looking at it and looking at what recovery will look like, because then you can, it can help you assess whether, you know when those loans are going to become due or payment is going to start because, as Julie said, many of them is, you know, all the banks are being super, super great and deferring when they can and things like that, but your payment will have to start sometime. So that cash flow plan that you refer to almost on a daily basis and it's on a weekly basis, is going to really help you look at what recovery will look like and what you can sustain, and what you can... So I do recommend

everyone looks at that webinar. The webinar talks about reaching out to your customers, reaching out to your suppliers, your employees, and doing a line-by-line review of your expenses, because right now, every penny counts, and it's amazing how even a little change can save you a few dollars here and there. And that's not only with your existing debt and your existing credit arrangements, but also just with suppliers and customers and everything. So I do recommend that everyone looks at that webinar and then develop a cash flow plan and refer back to it over and over again.

Laura Reinholz

Thank you, Laura. I'm going to adapt this last question a little bit, just because you've covered a lot. So the question was, what happens when this is over? And how do I prepare? So to reframe that a bit: what additional things should people be considering about to prepare for when this is over?

Laura Didyk

So I think you mean, the biggest thing here is, and I can't say it enough and I said it before is plan plan, plan as much as you can and be agile. So you need to look at the different cash flow scenarios. Work with your accountant or your bookkeeper and looking at what's possible and start to plan now for your recovery. Communicate with your clients, with your customers. So when things start to turn around, you will need to spend money to make money. And so you'll need to plan on that. And we're encouraging everyone to speak to their customers, review your personnel needs, manage your operations plan frequently. You know, the one thing that we can probably all agree on is that our employees – of any business – is a business's biggest asset. And in many provinces of the country and majority provinces in the country, we were facing a labour shortage. We're not now, but we will in the future. And so you want to keep those employees if you haven't been able to keep them on the payroll, you want to keep them close, to be able to encourage them to come back and, like Julie mentioned, those customers to come back. So you know, communication, clear communication is really, really key here. And because we will, as Julie said, we will get through this. It's hard to believe right now, some days, but we will get through this. And it's really important that you work with your suppliers, your customers, your employees. And you know, everybody wants to help everybody. I think that's the one important thing. And everyone is willing to help. And we'll do what we can to get everybody through this, because that's really important, because at the end of the day, it's the small and medium sized businesses that keep Canada alive, and it's most of our employment. And it's so important that we all work together to keep them operating. I'll end on that, Laura.

Laura Reinholz

Thank you so much. I'll switch gears now and pose questions to Jennifer Cooke, who's joining us from EDC. Jennifer, how is the coronavirus affecting the global economy and how long do you think it'll last?

Jennifer Cooke

Thanks so much, Laura. And hi everybody on the line. Great question. It's certain as all of you will know that travel restrictions, border closings and factory shutdowns are all negatively disrupting global supply chains and slashing trade flows these days, in a span of less than a few months, it has really become the dominant force impacting the global economy. What's interesting is similar effects on the economy of widespread viruses have been witnessed in the past with SARS, the avian flu, Zika virus outbreaks, etc. Even as far back as records of the Spanish Flu in 1918. In all these cases, while the effects caused great human loss and suffering, what's super interesting is that the economy proved to actually be quite resilient. What's common in all these cases, Laura, and especially COVID-19, is the speed of the spread of the virus which came on as such a surprise event that no one even saw it coming. And so economic activity is interrupted really really quickly and so pervasively that there's really few alternative sources of supply to keep things moving. No one had any time to really prepare for this. However, in these cases, the basic needs and demands of people are still there and are accumulating each day. And this is a fundamental difference from the financial crisis in 2008. History has shown that once the virus is under control and disruption subsides and productions resume, this pent-up demand will be unleashed and the economic bounce back is usually fast and dramatic as well. There will certainly be some permanent impacts for sure. But once the money starts to flow again, and most of what had stopped usually resumes in the economic recovery should also have a sharp rebound. So, the challenge to the global economy and to Canadian exporters is ultimately dependent on, as we've talked about, as Laura mentioned, on how COVID-19 severity and longevity will be. Of course, these are two of the biggest unknowns at this time, which is most frustrating to businesses who are trying to figure out the best response. As all the business flows, product flows and payment flows are disrupted and causing a cash crunch for all their businesses. Actually, no business is untouched by this coronavirus. Even the largest of corporations, potentially some of your customers, will likely experience cashflow tightening. So at this point, although forecasts are always a moving target, EDC's economic team expects that the negative economic impacts for coronavirus will actually play out mostly in the first half of this year. And with the bulk of the global recovery occurring between July and December with a strong rebound to growth in 2021. But, that said we'll be watching pretty closely for the control of the spread of the virus. Which is the most important thing to reduce the economic

effects. And as with all forecasts, I'm going to caveat that things are moving all the time, which may create different timing to these forecasts.

Laura Reinholz

Thank you, Jennifer. The next question. How should exporters best manage business risks during COVID-19 times?

Jennifer Cooke

Yeah. So most importantly, it is for Canadian companies to protect themselves. They need to have a solid risk-management strategy that enables them to be proactive, rather than reactive, to what's happening. So like the cash flow plan that Laura Didyk talked about, I want to encourage businesses to think proactively about the strategies and the financial tools that are available to them. And that, actually, you can leverage right now to manage risk and weather the storm. So when it comes to risk management, there's a few different areas to think about and they can be broken down into four major buckets. The first is risk avoidance. So namely, do you have a plan B? For example, if you outsource manufacturing, are you planning ahead so you can start manufacturing locally? If you're selling internationally, do you have a diverse set of buyers? Or are you putting all your eggs in one basket? Given current fluctuations, do you have a good foreign exchange strategy in place? These are just a couple of things to think about, when it comes to risks in your business. The second bucket is risk sharing. So again, are you outsourcing? Are you partnering? Are you only focusing on one product line? Or do you have multiple product lines so that if one of your business lines is impacted, it might not affect the others, or it might reduce the negative impact on your business. So finding ways to spread or share risk are things that you could consider and evaluate. The third bucket is risk reduction. So looking at your contracts, we often see that Canadian companies are working with purchase orders and not actually properly structuring their contracts with real legal advice. In particular, for orders outside of Canada, this is super, super important. So do you have the proper clauses in your contracts that protect you in the case that you can't perform on a contract if situations like this arise? Do you have a contingency plan for working capital funds, even if you're in a decent cash flow position now, it's good to have something in place for when you may need it down the road. The fourth bucket is risk transfer. And when I talk about this, I'm really referring to insurance. So, for example, are you protecting your accounts receivable which is often the largest asset on your books? If you produce customizable goods or services do you have contract cancellation insurance in place? In the case that your contracts get cancelled once you've already started incurring costs. Things like marine cargo insurance if your goods are being shipped by sea. Or depending on your industry, there might be bonding or performance guarantee requirements for your contracts. Thinking about whether you're protected against potential wrongful call of these financial instruments is really important at a time like this.

So I'd like to just spend two more minutes to talk about the risks of nonpayment, which is really particularly top of mind for many Canadian exporters. Credit insurance is a tool to protect your outstanding accounts receivable against the risk of any payment defaults for whatever reasons, bankruptcy, refusal to pay, etc. And it's a critical, critical tool to protect your business, even if your customers are large, stable corporates. As I mentioned before, even they may experience a cash crunch during this unprecedented time, which could impact payments to their vendors. Credit insurance can be structured to your business's specific needs and ensure that you get the right coverage to mitigate the risks that are tailored to your business. It can also help you gain a deeper understanding of your customers' creditworthiness if you're able to insure them. So your insurer can actually provide really critical information about your customers in this regard. If you're dealing with higher-risk markets or with riskier buyers or sectors, it's important to ensure that your insurance company has the risk appetite to support you in those markets and sectors. And I just wanted to mention that there are many private insurers out there but EDC does offer several insurance solutions in this regard, which can be flexible options to meet your company's specific needs. Back to you, Laura.

Laura Reinholz

Thank you. I'm just looking at the time and because this is a multi-layered question, this may have to be our last question for you, but just monitoring time. Will EDC be adjusting any of the requirements that have been in place in order to provide added financial funding support, what sort of covenant release can we expect and will EDC guarantee bank loans? What about IQ in Quebec?

Jennifer Cooke

Yep, definitely a loaded question. As has been mentioned over the last week, the federal government has announced several measures, right, to help Canadian companies to cope during this time. And EDC along with BDC has been asked to play a really important role in helping address some of the ongoing and developing economic challenges that are stemming from COVID-19. As financially stable, Crown corporations, we're here to help companies in good times and in bad times. And so we're working really hard to adjust our supports as quickly as possible to respond to companies' needs. EDC's immediate focus has been during this time to bring more liquidity into the market in order to help Canadian companies to manage the challenges they're facing with this cash crunch. And last week was the start of several announcements on what EDC is doing specifically. So as of today, there's three things that I want to - sorry, four things - that I wanted to tell you about. And, first and foremost, in order to transfer the benefits of the government-announced credit support to Canadian exporters, all of our products have been adjusted to be more flexible. So what that means is we're expanding the capacity of our existing financial solutions and flexing our risk appetite, both for insurance as well as for the trade and loan guarantee products, which are

effective immediately. So, in partnership with our Canadian financial institution partners, we're actually adding additional credit support as well as six-month payment deferrals on any fees, to both new and existing clients as they relate to our guarantees. We're also working to streamline our underwriting processes so that we can speed up access to cash flow relief and increased flexibility in our overall credit appetite. For our insurance customers, so for any insurance customers on the line that are with EDC for insuring accounts receivable, in the short term, we're making immediate changes to our insurance solutions. When we're assessing new buyer coverage, we're working on taking greater risks than we have in the past, as well as expanding our maximum coverage, for certain select credit insurance. We're increasing flexibility to continue coverage where possible in situations where a buyer's credit is already deteriorating. We're also covering losses for goods shipped even if the buyer hasn't accepted the goods subject to some terms, which was not part of the credit insurance coverage previously, and we're actually waiving the 60-day waiting period for claims. I do want to note though, that all claims will still be closely evaluated according to the regular claims guidelines. As Laura talked about, on March 24, EDC announced its initial support through the Business Credit Availability Program, being called BCAP for small- and medium-sized and enterprises and as BDC is offering this as a co-lending solution, EDC is going to be offering the banks a guarantee on loans of up to \$6.25 million, so that companies can access cash more quickly. And these loans will be 80 percent guaranteed by EDC to be repaid in a year. And so, pretty impressively, eligible companies that are impacted directly or indirectly by COVID will be able to obtain up to \$12.5 million through both the BDC and EDC lending streams together. Again, you know, this is all being offered through the financial institutions, as it would have been really impossible for EDC to scale up fast enough. Delivering these solutions through the Canadian financial institutions who are already working with Canadian companies is the best and fastest way to get the funding to companies. So, you know, the banks are taking some time to get up to speed really quickly and operationalize these programs. I think over the next few weeks, they'll have them fully operational. And I know we're running out of time. But I did want to point out one last thing that was announced on Friday, as Laura mentioned, as part of the government's announcements on Fridays, was that the Government of Canada also temporarily expanded EDC's domestic powers to further help Canadian businesses. So what that means is that it's a broader mandate for EDC that gives us the scope to provide all of our solutions to all Canadian businesses now, including those that are not necessarily selling internationally. We're going to be working really closely with BDC and the financial institutions so that this increased support can help even more Canadian companies. I think I'll leave it there for you, Laura.

Laura Reinholz

Thank you so much, Jennifer. I'm sorry, we didn't get to the rest of your questions, but I do have to move on to Sheri. And now we have our final panelist Sheri Griffiths with BMO. Hi, Sheri.

Sheri Griffiths

Hi, Laura.

Laura Reinholz

Are they more open to lending money? Are the banks open to lending money if the ratios are in line given the current uncertainty?

Sheri Griffiths

Thanks, Laura, and thanks very much for my fellow panelists, I actually think they've done a great job of actually laying a path for some of the questions I have, quite honestly. And this one in particular is one, just listening to what Laura and Jennifer spoke about around the programs that are being put in place to help manage the risk. This is why I would say we're very confident and saying we are open to lending money. Obviously, each deal, each transaction that we look at is going to be different. But with the options of managing the risk in different ways. This just means that we are able to still continue to lend money in the current situation. Obviously, we do need to take a look at things a little more closely. And really understanding what the business looked like pre-COVID and how much time it will need to get back after everything settles down and having a good plan of what that looks like. Being able to really sensitize any analysis of what will happen to the best of our abilities. Obviously, there's a lot of unknowns right now, will play a big part in us looking at transactions, but we are definitely open to lending money still.

Laura Reinholz

Thank you. Next question. Should I request the maximum number of payment deferrals I can up front for my business loans, or only what I need immediately and call my relationship manager when my need for capital increases? When should I increase my operating line of credit?

Sheri Griffiths

Thanks, Laura, I think very similar to what Julie spoke about on the personal side, and small business side, I would echo a lot of those comments in this section here. I think you should have a conversation with your bank and look at what the maximum number is available to you. It does not hurt to ask for that. And then should things change in one, two, three months, four months and you wish to start making payments again, you always have the option to do that. So it makes sense from my perspective to ask for the maximum, if that is something that's concerning to you. I think a lot of this depends on your cash flow and really understanding your numbers and how far out you will need the deferral. Obviously, the question right now that everyone is faced with is, how soon

will this change? Or, how soon will I be able to operate normally? And because we don't know the answer right now, my recommendation is to talk to your relationship manager. Go ahead and ask for the maximum deferral, ask for the increase to the operating line. Most banks and certainly ours, we have a very streamlined approach to this right now. So the speed and ease of doing this makes a lot of sense to do it while you can. And then should you need to change that because things have gotten back to normal, you're welcome to give us a call back and we can fix that at any point.

Laura Reinholz

Thank you. So this is another dual question. With contingency planning. How far out do I look, and when should I take action with a) letting staff go, and b) selling a building?

Sheri Griffiths

Yeah. And again, I would echo my panelists' comments here, both Laura and Jen spoke about cash flow. And really understanding your numbers, working with your partners, talking to your bookkeeper or accountant, and making sure you have a clear understanding of what your cash flow is from a weekly basis to a monthly basis. And I think you have to look out from my perspective at least six months right now, to see where that takes you. And it helps you have a good plan as far as what you might need to do and what decisions you might need to make. I think it's really important that you understand the viability of your business when things subside and what that might look like. We are seeing examples of businesses taking turns and completely shifting what they were doing prior to after. And things look very differently when you make those decisions. So, I think having a really detailed cash flow will really help you figure out what this contingency plan will look like, and whether or not you need to make decisions about letting staff go. Maybe perhaps consolidating your debt, selling buildings, any of those types of questions, you need to be able to see out, with cash, to understand what your needs are.

Laura Reinholz

Thank you. This next one is also based on cash. So, how do you bridge when you know cash is coming in, but you're not sure when?

Sheri Griffiths

Yeah, no, it's a great question, especially right now, with the amount of benefits and opportunities that are being put in front of us right now, a lot of business owners are calling to say, I know that this is coming. I just don't have the funds today. But I need this in the interim. I think my first recommendation with this is to reach out to your banker and have a conversation with them. All of the financial institutions have been partnering with the government through a lot of these solutions. And so we're really clear and knowing what this timeframe might look like for when

some of the cash might come in as an example. And so I think having a conversation with your bank will help you figure out what options you have, whether it be things like payment deferrals, or increased operating lines, consolidations, all of those things are on the table, especially if you have a good plan, and you understand what you're going to need and when. So my suggestion is ask for the help. Make sure you have the numbers and information you need. And then have a conversation with your bank to figure out what you need in the short term.

Laura Reinholz

Thank you. And your last question, Sheri, is: In light of Friday's announcements, do you know when the \$40,000 announced by the government will be available through the bank?

Sheri Griffiths

Yeah. What's great about this, I'd like to say, it's unprecedented to have all of the banks aligned and making sure that we all have this available as soon as possible. Both Jen and Laura spoke about, we do have to work through processes behind the scenes to get a lot of these different programs up and running, with specifically the one for the 40,000, the emergency business account. This one we're putting a high level of focus on. And right now from a conversation I had this morning with our senior folks at BMO. I know in conversations with the other banks, they are really looking to have this in place towards the end of next week. Again, take that with a grain of salt, because right now from a technology perspective, that's really what we need to focus on is being able to get an online application up and running pretty quickly with an attestation that allows us to fund this. So it's just a matter of timing for all of the banks to get that done behind the scenes, and to be able to make the process smooth and easy from a digital perspective. I know a lot of the questions and I think I saw one in the chat room as well are really what the criteria is for this. And as Julie shared, just to clarify, it is for business owners who had 50,000 to a million dollars in payroll last year. And the other criteria would be that your business was in place prior prior to March 1. Those are the only criteria that we have at this point. And so the online application will likely form an attestation of some form that will allow you to attest to what you need to for us to be able to fund this. So it really is - I'm very hopeful that we'll have this in place by next week. But at the same time, I think that you have to have some patience with all of us to make sure we get this lined up and are able to do it effectively.

Laura Reinholz

Thank you, Sheri. That is the summary of all of the questions that we have. So thank you, Sheri, Jennifer, Laura, and Julie for all of this great information. This brings us to the end of our time. The final slide includes contact information should you wish to contact any of the panelists. We'll be

posting this webinar on [BMOforWomen.bmo.com](https://www.bmo.com/BMOforWomen) should you wish to access this information or share it. Thank you for joining us, and be safe and keep well.