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Supporting Canadian Startups: BDC Launches \$150-Million Bridge Financing Program

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BDC Capital (BDC) announced on April 9, 2020, that it is launching the BDC Capital Bridge Financing Program, an investment matching program designed to support Canadian startups impacted by COVID-19. **The program will allow BDC to match up to an aggregate of \$150 million in current financing rounds being raised by eligible Canadian startups.**

While BDC has not published any official guidelines on the program, based on information provided by BDC to members of the Canadian Venture Capital and Private Equity Association during a recent webinar, the key features of the program are set out below.

What is an eligible Canadian startup?

In order to be eligible to participate in the program, a startup must:

- i. have its principal office and management located in Canada;
- ii. have raised at least \$500,000 in external capital before applying;
- iii. be specifically impacted by COVID-19; and
- iv. be backed by a "qualified venture capital firm" (described below).

BDC has not released any public guidance as to what will satisfy the requirement that a company be specifically impacted by COVID-19, or the evidence that companies will need to provide to BDC to demonstrate those specific impacts.

The program is not limited to BDC's existing portfolio companies.

What is a qualified venture capital firm?

BDC has indicated that it will generally consider a venture capital firm to be qualified for participation in the program if the firm has:

- i. at least \$10 million of assets under management;
- ii. at least three portfolio companies; and
- iii. a sufficient number of third-party investors.

We understand that BDC intends to invest in the portfolio companies of venture capital firms that have already conducted a robust due diligence process on those portfolio companies. BDC has stated that it may be open to considering well-known institutional investors to be qualified in certain circumstances. In addition, the program does not on its face exclude from eligibility Canadian startups that are backed by U.S.-based venture capital firms. We expect that BDC will consider those startups on a case-by-case basis.

What financing rounds are eligible?

All financing rounds raised by eligible Canadian startups after February 1, 2020, qualify for the program, including rounds that have already been completed. **Investors must have invested a minimum of \$250,000 in the round in order to be eligible for the program.**

How much funding is available per financing round?

BDC will match financing rounds of eligible Canadian startups that qualify for the program on a dollar-for-dollar basis, up to a maximum of \$3 million.

What terms apply to the financing?

BDC's investment will be made by way of a three-year convertible note that will generally be in BDC's standard form. Interest on the notes will be payable in kind at the BDC floating rate (currently 4.5%), plus 4% per annum.

How will companies be selected?

BDC will select companies on the basis of the following criteria:

- i. Needs-Based: How critically does the company need the capital?
- ii. Performance-Based: How well did the company perform before COVID-19?
- iii. Size-Based: How significant an impact will the financing have on the venture capital sector in Canada?

BDC has not indicated whether any of these criteria will be given higher priority. However, it has stated that it is industry agnostic and that the program's focus is not solely on technology companies.

How can VC firms apply for the program?

Venture capital firms and institutional investors that are interested in participating in the program should contact BDC Capital or, if they do not yet have a contact at BDC Capital, email VCReliefProgram@bdc.ca to start the application process and obtain additional details about the program.

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