HERBERT SMITH FREEHILLS

UK GOVERNMENT - COVID-19 SUPPORT

SUMMARY OF CBILS, CLBILS, FUTURE FUND, AND CCFF

On 20 April 2020, the UK Government announced a new "Future Fund" to support private businesses in the UK. This added to the existing Coronavirus Business Interruption Loan Scheme ("**CBILS**"), the Coronavirus Large Business Interruption Loan Scheme ("**CLBILS**", which went live on the same day that the Future Fund was announced), and the Bank of England's COVID Corporate Financing Facility ("**CFFF**").

This note summarises and compares the key characteristics of each of these funding schemes: Eligibility, Format, Headline Terms, Use of Proceeds, Other Key Terms, and How to Apply. We do not cover other forms of UK government support here (for example, the Coronavirus Job Retention Scheme), which are covered in other resources on our COVID-19 Hub).

27 April 2020

	CBILS	CLBILS	Future Fund	CCFF
Eligibility	UK trading businesses with annual group turnover of £45m or less, with a borrowing proposal which would be viable but for COVID-19, and which have self-certified that they have been adversely affected by COVID-19. This includes companies, partnerships and sole traders. It includes businesses backed by private equity, and businesses which have received funding under the Enterprise Investment Scheme.	As for CBILS, but for businesses with turnover above £45m. Businesses which have received funding under the CCFF are not eligible.	Unlisted UK registered companies that have raised at least £250,000 from private investors in the last five years and which have a substantive economic presence in the UK. If the company is a member of a corporate group, only the ultimate parent company, if a UK registered company, is eligible to receive the loan.	Issuers of commercial paper who "make a material contribution to economic activity in the UK" and who were of "sound financial health" before COVID-19 (ie which satisfy the specified minimum credit rating). UK incorporated companies, including those with foreign-incorporated parents and with a genuine business in the UK, will normally be regarded as meeting this requirement. Companies with significant employment in the UK or with their headquarters in the UK will normally be regarded as meeting this requirement.

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	Foreign-owned UK businesses are eligible, and so are UK businesses registered overseas. In both cases, the CBILS funds must be used for business in the UK.			Prior issue of commercial paper is not a condition to participate. Where available, issuers should have a minimum short-term credit rating of A-3 / P-3 / F-3 from at least one of Standard & Poor's, Moody's and Fitch as at 1 March 2020 (ie before the onset of COVID-19).
Not eligible	For loans of more than £30,000, any firm which was a "business in difficulty" as at 31 December 2019, unless it was less than three years old on that date. "Business in difficulty" includes a business which had accumulated losses greater than half its share capital. Banks, insurers and reinsurers (but not insurance brokers), public-sector bodies, further-education establishments (if they are grant-funded) and state-funded primary and secondary schools Holding/shell companies are not eligible: the business must generate more than 50% of its turnover from trading.	Credit institutions, insurers and reinsurers (but not insurance brokers), building societies, public-sector bodies, further-education establishments (if they are grant-funded) and state-funded primary and secondary school. Businesses which have received funding under the CCFF are not eligible.	Further details to be provided by Government in due course.	Commercial paper issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority. Commercial paper issued by leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation.
Format	Loans, overdrafts or invoice or asset financing facilities, guaranteed up to 80% by	Loans, RCFs/overdrafts or invoice or asset financing facilities, guaranteed up to 80%	Convertible, unsecured bridge financing.	Government purchase of commercial paper that meets certain minimum ratings criteria.

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	Government (excluding interest and fees).	by Government (including interest and fees).		
Headline terms	**Size**: loans of £1k to £5m. **Term**: up to six years for term loans and asset finance facilities, and up to three years for overdrafts and invoice finance facilities. **Interest**: commercial interest rate as offered by the lender. Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees (so the borrower will benefit from no upfront costs and lower initial repayment).	**Size**: loans of up to £25m for businesses with turnover between £45m and £250m, and up to £50m for businesses with turnover over £250m. But not greater than (i) double the borrower's annual wage bill for the most recent year available, or (ii) 25% of the borrower's total turnover for the most recent year available, or (iii) with appropriate justification and based on self-certification of the borrower, the amount may be increased to cover their liquidity needs for the next 12 months. **Term**: up to three years. **Interest**: commercial interest rate as offered by the lender. No Business Interruption Payment for CLBILS, unlike CBILS.	**Size**: £125k to £5m. Funding must be matched at least 50-50 by private investment. **Term**: up to three years. **Interest**: 8% per annum (non-compounding), or matches the rate on the private funding if higher. See below on conversion discount and redemption premium too.	**Size**: minimum purchase of £1 million for all issuers. Up to £1bn for A1/P1/F1/R1; up to £600m for A2/P2/F2/R2; and up to £300m for A3/P3/F3/R3. **Maturity**: 1 week to 12 months. **Pricing:** to be comparable to the prevailing market before COVID-19.
Use of proceeds	Funds must be used for UK business. It is for the lender to ensure that the money is for a suitable business purpose.	Same as for CBILS.	Working capital purposes.	Broad purpose is to help businesses making a material contribution to UK economy to pay wages and to pay suppliers, even while experiencing severe disruption to cashflows.

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Other key terms	No personal guarantees required for facilities below £250,000. For facilities above £250,000, personal guarantees may be required at lender's discretion, but a principal private residence cannot be taken as security, and recoveries under PGs are capped at 20% of the outstanding balance of the facility after the proceeds of business assets have been applied.	Personal guarantees – same as for CBILS.	Converts at the higher of a 20% discount or the rate agreed with the private investor(s), on the next borrower's next equity raise which is at least as large as the funding from the Future Fund. Or converts on any further equity round at the discretion of the private investors. On a sale or IPO, converts at the discount rate or is repaid at a 100% redemption premium, whichever is a better return. On maturity, converts at the discount rate or is repaid at a 100% redemption premium, as the lenders elect (but Government's money converts unless it elects otherwise). MFN, Negative Pledge, and entitlement to most senior class of equity, and right to match any valuation cap.	Commercial paper must: • be issued directly into Euroclear and/or Clearstream; • reflect standard features of ICMA market standard documentation; and • be governed by English law and subject to the jurisdiction of the English courts.
How to apply?	Initially available for six months, from its launch on 23 March 2020. Details of the application process can be found here.	Available from Monday 20 April. Details of the application process can be found here.	Available from May 2020. Details regarding application process awaited. Further details here.	CCFF is initially available for at least 12 months, from its introduction on 23 March 2020. Details of the application process can be found here.