

COVID-19: Support for small and medium-sized businesses

## Coronavirus Future Fund



*The **Coronavirus Future Fund** is available from 20 May 2020 until 30 September 2020 as part of the Government's efforts to help UK businesses affected by the Covid-19 pandemic. The Future Fund is aimed at innovative UK companies with good potential, which typically rely on equity investment but have been affected by Covid-19. The purpose is to help them continue their growth trajectory and reach their full economic potential despite the current period of economic disruption. In this FAQ we have addressed some of the more common questions, but if you would like to discuss any aspect in more depth, please get in touch.*

### **What is the purpose of the Future Fund?**

The Future Fund provides Government loans ranging from a minimum of £125,000 to a maximum of £5 million to innovative UK-based companies. It will be subject to equal match funding from private investors.

The Government has said that these convertible loans are possibly a suitable alternative for businesses which rely on equity investment and are unable to access other Government business support programmes because they are with pre-revenue or pre-profit.

The scheme will be delivered in partnership with the British Business Bank.

### **Who is eligible for the Future Fund?**

Your business is eligible if:

- It is UK incorporated. If your business is part of a corporate group, only the parent company is eligible.
- It has raised at least £250,000 in equity investment from third-party investors in the last 5 years.
- None of its shares are traded on a regulated market, multi-lateral trading facility or other listing venue.
- It was incorporated on or before 31 December 2019.
- At least one of the following is true:
  - Half or more employees are UK-based
  - Half or more revenues are from UK sales

### **What does matched funding mean?**

This means that the Government will make unsecured bridge funding available alongside other private third party matched investor(s). The loan will not be more than 50% of the bridge funding being provided to the company with the remaining amount being provided by the matched investor(s).

In this scenario, the Future Fund will match up to 100% of the amount provided by investor(s) up to a maximum of £5 million.

**What can I use the funding for?**

The bridge funding may only be used for working capital purposes and cannot be used for by the company to repay any borrowings, to make any dividend or bonus payments to staff, management, shareholders or consultants. It also cannot be used to pay any advisory or placement fees or bonuses to external advisers in respect of the Government loan.

**What is the proposed rate of interest?**

The Government will receive a minimum of 8% per annum (non-compounding) interest to be paid on maturity of the loan. This interest rate will be greater if a higher rate is agreed between the company and the matched investors. Unlike a typical bank loan, the interest is not payable on a monthly basis and instead will accrue until the loan converts. At this point, the interest will either be repaid or convert into equity.

**What is the term of the loan?**

The loan will mature after a maximum of 36 months. The loan cannot be repaid early by the company other than with the agreement of all of the investors.

**Do I need to provide any warranties?**

The company will need to provide limited warranties, including in respect of title and ownership, capacity, its eligibility to obtain the loan in accordance with the Government's eligibility criteria, compliance with the law, the borrowing facilities of the company, litigation and insolvency events to the lenders on closing of the loan.

**Is there a loan agreement to sign?**

Investors and the Future Fund both invest using a convertible loan agreement, which is pre-defined and cannot be negotiated. A copy can be obtained via the Government's future fund webpage: [www.gov.uk/guidance/future-fund](http://www.gov.uk/guidance/future-fund)

*Last updated on 19 May 2020.*