

## State-backed Financial Support for Businesses and Start Ups

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On March 25, 2020, the French Government has - through the French public investment bank BPI - launched a program of State-guaranteed loans (“prêts garantis par l’Etat”) in order to help French-based businesses to restore and maintain their cash flow and financial situation in the current COVID-19 pandemic.

This program is open up to a total amount of loans equal to €300 billion and shall remain in force until 31 December 2020. To date, requests from businesses for a global amount of €31 billion of this loan have been submitted.

### Eligibility:

- All businesses located in France may apply for State-guaranteed loan, regardless of their control (French or foreign), turnover, legal structure (companies, associations, etc.) or activity - except real estate companies (“*sociétés civiles immobilières*”), credit institutions and finance companies.
- State-guaranteed loans are however not open to businesses undergoing insolvency procedures. However, businesses which are subject to assistance procedures (*conciliation, mandat ad hoc*) are eligible to these loans, as well as businesses for which a *plan de sauvegarde* (i.e. court approved plan following a *sauvegarde* procedure, aimed at avoiding a company having certain difficulties from becoming insolvent) or a plan de continuation (i.e. a court approved recovery plan following insolvency proceedings) is in progress.
- In practice, State-guaranteed loans are much likely to be granted to businesses whose financial situation was good prior to the Covid-19 pandemic outbreak and whose financial rating was either strong (*fort*), fair (*correct*) or acceptable - which, according to government papers represent 85% of potential borrowers.

### Maximum amount of the State-guaranteed loan:

- The amount of the State-guaranteed loan may not exceed a cap of 25% of the turnover (excluding VAT) of the borrower during the 2019 financial year (or the last financial year closed);
- The cap is equal to twice the estimated annual payroll for companies created as from January 2019 or “innovative companies” i.e. companies who have received from a state entity a financial support for innovation, or have raised funds from professional investors dedicated at innovating companies, or were supported by an incubator.

### Terms and Conditions of the State-guaranteed loans:

- The State-guaranteed loan has a one-year grace period. At the end of this grace period, the borrower may, at its option, either repay the entirety of the loan or decide to amortize it over a period of up to 5 years. The loan may therefore be repaid over a maximum period of six years in total.
- The State Guarantee covers 90% of the amount of the loan for borrowers having less than 5,000 employees and generating a turnover lower than EUR 1.5 billion, this percentage being reduced to 80% for companies which turnover ranges between EUR 1.5 and 5 billion, and 70% for other companies.

- No guarantee or security may be required by the lending bank to cover that part of the loan which is not covered by the State guarantee.

#### Procedure:

- Companies having less than 5,000 employees and a turnover of less than €1.5 billion in France should liaise with their usual banking partner to apply to such loan and get a pre-approval from the latter. The company will then request an identification number from the BPI (who monitors such process) and, once obtained, the bank will grant the loan.
- With respect to the companies exceeding the above-mentioned thresholds, the process will be slightly different as, following the pre-approval of the bank, the company should send its request to the Treasury Department (“*Direction Générale du Trésor*”) and the State guarantee will be granted by an individual order (“*arrêté*”) of the French Minister of the Economy and Finance.

#### Emergency plan to support startups:

- In addition to the measures mentioned above, the Government has announced on March 25, 2020 the launch of an emergency plan with specific measures to support startups:
  - ▶ An €80 million package, financed by the “*Programme d’investissements d’avenir*” (PIA) and managed by BPI France, to finance bridges between two fund-raising rounds.
  - ▶ An accelerated refund by the State of corporate tax credits refundable in 2020, including the research tax credit (CIR) for the year 2019, and VAT credits.
  - ▶ An accelerated payment of the PIA innovation support grants already allocated but not yet released, for an estimated total amount of €250 million.

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