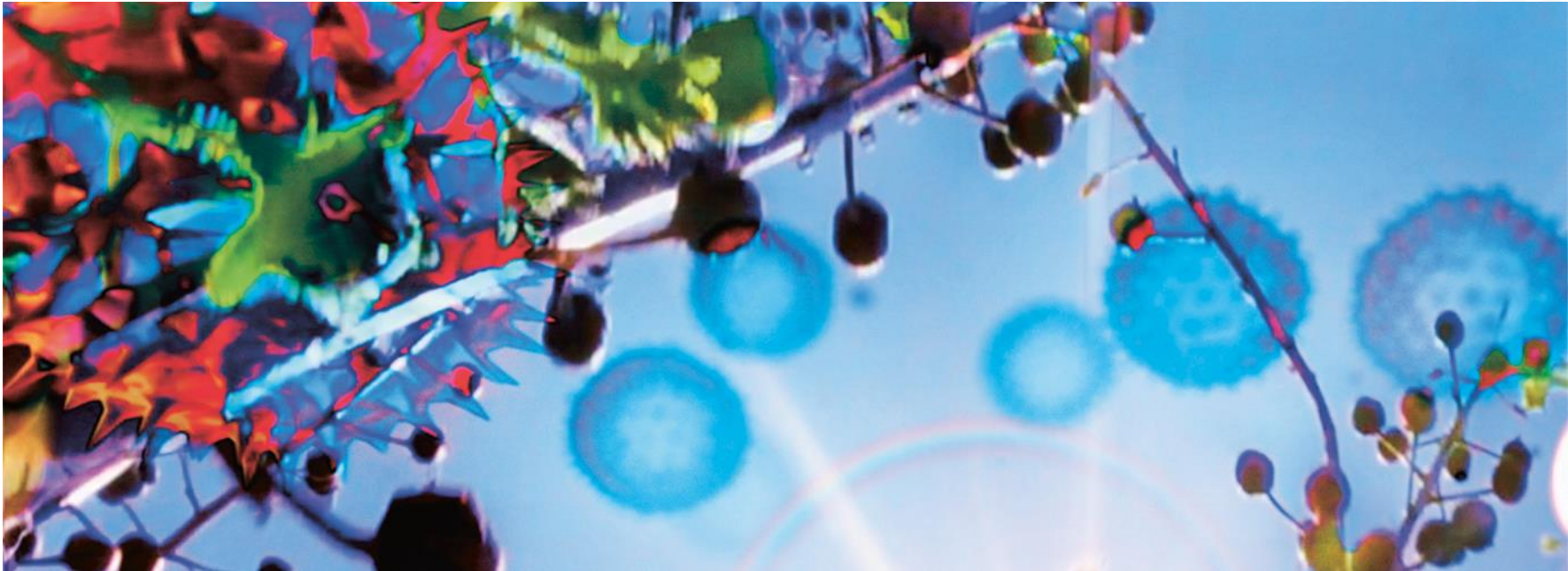


VISCHER

COVID-19 loans for startups – what are the requirements?



Webinar
VISCHER Startup Desk
Thursday, 4 June 2020

1. Introduction



Moderator

Nadia Tarolli

Attorney at Law,
Swiss Certified Tax Expert
and Partner VISCHER AG



Speaker

Christan Wyss

Attorney at Law
Partner VISCHER AG



Speaker

Damien Conus

Attorney at Law
Partner VISCHER AG

1. Introduction



Speaker

Beat Röthlisberger

Member of the
Executive Board
Head Business Area
Corporate Clients
Initiator «100 fürs
Baselbiet»



Speaker

David Sutter

Program Manager
«100 fürs Baselbiet»

1. Introduction



Speaker

**Karin Sartorius-
Brüschweiler**

Manager Life Sciences
Economic Development
AWA Basel-Stadt



Speaker

Felix Kohlermann

Business Economist
Deputy Head of Finance,
Departement WSU Basel-
Stadt

Outline.

1. Introduction and Opening remarks
2. General requirements of COVID-19 loans (Federal Level)
3. Specific requirements and experiences in cantons of Vaud and Geneva
4. Brand new rules in Basel-Landschaft
5. Actual situation in Basel-Stadt
6. Conclusions
7. Q&A

1. Opening remarks (1/2).

- On 22 April 2020, the Swiss Federal Council announced the public aid program for startups.
- Currently 20 cantons are participating in the program. Geneva and Vaud were amongst first movers.
- Some cantons - such as Zurich - are not participating in the Federal program but announced separate cantonal programs.
- In the canton of Basel-Stadt, a cantonal startup bridging loan program that goes beyond the Federal program is in the process of being established (expected start July 2020)

1. Opening remarks (2/2).

- Total amount of Federal Program: CHF 154m, whereof CHF 100m from Federal Government
- Financing of loan: 65% Federal and 35% cantonal; 35% can also be guaranteed by a third party if the canton does not participate (e.g. a bank)
- Application deadline: **31 August 2020**
- Maximum amount per startup: **CHF 1m** (other COVID 19 payments to same startup will be taken into account)
- Assessments of required criteria by cantons (assistance of Innosuisse available)
- Guarantee confirmation can be presented at any bank – ideally the relationship-bank

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

- Easy to understand detailed requirements can be found here: <https://www.easygov.swiss/easygov/#/en/landing/covid-startup>
- **Startup:**
 - Incorporated after **1 January 2010** but before **1 March 2020**
 - **AG/SA** (corporation) or **GmbH/Sàrl** (limited liability company)
 - Registered seat in one of the **20 participating Swiss Cantons** (see <https://covid19.easygov.swiss/en/cantons/>)
 - Not in bankruptcy proceedings, composition proceedings or (provisional or definitive) moratorium
 - Not in liquidation
 - **Not over-indebted pursuant to article 725 para. 2 CO** when application is submitted
 - Suffering from **significant economic difficulties and liquidity problems** due to the **COVID-19 pandemic**

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

- **Business Model:**
 - Scalable
 - Sales increase, cost stay almost flat. Multiplying revenue triggers minimal incremental cost.
 - Science- or technology-based
 - Spin-off from university or research-driven company (pharma, medical devices, material sciences); or
 - Patent, patent license or proprietary know-how as main asset; or
 - Information and communication technology as core of the business and not just a tool
 - Innovative
 - Innovation is the process of **creating value** by applying **novel solutions** to **meaningful problems**.
 - Not part of the agricultural sector

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

- **Application:**
 - <https://covid19.easygov.swiss/en/for-startups/>
 - Must be submitted by **31 August 2020**.

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

- **Current expenses:**
 - Wages, costs for internal or outsourced research and development processes (R&D) as well as costs for patent applications and patent attorneys can be taken into account, regardless of whether they are activated in the balance sheet or not. All other expenses and investments, which are activated in the balance sheet, as well as depreciation and amortization costs, cannot be taken into account as running costs.
 - The amount provided in total will correspond to **a maximum of a third** of the startup's current expenses in 2019.
 - The loan must not be used for the financing of investments and does not replace a financing round.
- **Annual financial statements** as evidence of current expenses in 2019 or, if not available, in 2018
- **Business plan**

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

The business plan must contain in particular the following information:

1. Sector (ICT, Life Sciences, Energy & Environment, Engineering, Social Sciences & Business Management) and sub-sector of activity
2. Stage of development (idea, POC, trial, sales)
3. Description of the business concept and business model
4. Description of the team, including the number of FTEs employed by the start-up
5. Description of the potential market (including a description of potential, validated and existing customers) and of the marketing strategy
6. Competitor analysis
7. Financing, including awards, grants and other sources of financing
8. Five-year financial plan
9. Protection of intellectual property rights and other forms of protection

2. General Requirements for COVID-19 Startup Loan Guarantees on Federal Level.

- **Company details**, including contact details of a contact at the company.
- Details of the **lending bank**.
- Only if you have applied for **other COVID-19 loans**: Loan agreement and/or loan applications for any loans received in accordance with the COVID-19 Joint and Several Loan Guarantee Ordinance (COVID-19-Solidarbürgschaftsverordnung) of 25 March 2020

3. Specific requirements and first experiences in cantons of Vaud and Geneva.

General overview

- Measures implemented to face a concrete and substantial turmoil. Needs may be much higher than currently covered.
- All the French-speaking cantons have joined the Federal Program

Important to know for Startups in Vaud:

- Anticipated situation in the canton of Vaud: How many startups affected?
- Two phases:
 - Since mid-March, CHF 20m for direct interest-free loans.
 - + additional special initiatives: EPFL's support plan.
 - Since 7 May 2020, implementation of the Federal Program => the CHF 20m reallocated.
- **Conditions:** same as at Federal level.
 - One exception: for life sciences startups, no requirement re: incorporation date.
 - A few additional documents required

3. Specific requirements and first experiences in cantons of Vaud and Geneva.

Important to know for Startups in Geneva:

- **Two main measures:**
 - Since May 7, 2020, Federal Program. Conditions = same as at Federal level.
 - Additional cantonal measures implemented through support organizations, i.e. FONGIT and FAE.
 - **FONGIT** (CHF 3m): From April 22, 2020: (i) bridge lines of credit for 6 to 8 months and (ii) interest-free loans.
 - Specific conditions apply
 - Not granted if financial difficulties have other sources or if enough funds to run for the next 10 months.
 - **FAE:** interest-free loans (repayment: around 7 years) for firms (not only startups, also associations or self-employed) which had a turnover of at least CHF 20k in the last year:
Max: CHF 20k up to CHF 500k depending upon the number of (full-time) employees.

3. Specific requirements and first experiences in cantons of Vaud and Geneva.

Final thoughts:

- Ease of access
- One obstacle: the CO 725 requirement
- Other measures shall not be ignored (favored?)
- Do not forget the related constraints
- COVID-19 as a boost? (health sector)





4. Brand new rules in Basel-Landschaft.

Requirements:

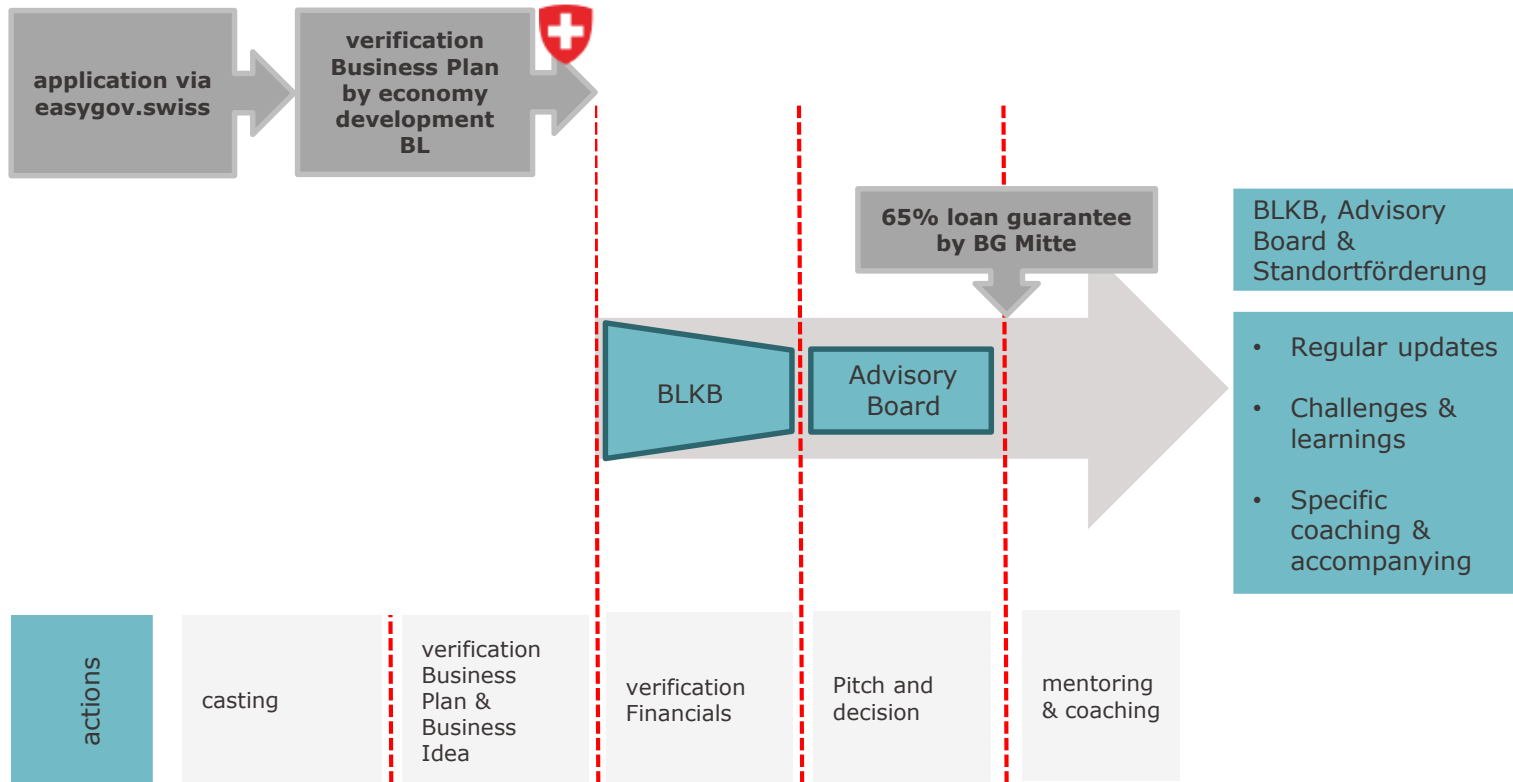
- ✓ Innovative business model
- ✓ Connection to Basel-Landschaft (significant value added in our region)
- ✓ Creditworthiness & entrepreneurial team
- ✓ Repayment / redemption in 3 year realistic

4. Brand new rules in Basel-Landschaft.

Terms & conditions:

-  Bank loan (no equity)
-  CHF 100k – 500k → up to CHF 1m
-  Maturity: 3 years (repayable!)
-  Attractive interest, risk premium on repayment
→ Risk premium on BLKB exposure

4. Brand new rules in Basel-Landschaft. 65% guaranteed loans process



5. Process: loan guarantee application Basel-Stadt.

1. Start up fills out guarantee application on easygov.swiss platform

2. **Checks formal criteria and calculation of maximal guarantee amount**
3. **Potentially requests more information (financials, analysis...)**
4. **Asks Innosuisse - Swiss Innovation Agency for external opinion**
5. **Assessment of start up business model by Economic Development AWA BS**
6. **Summarizes results and prepares proposal for government decision**
7. **Decision of Government**
8. **Sends decision and assessment documents to guaranteeing organisation**
9. **Informs applicant company of government decision**
- => Final decision on guarantee falls to guaranteeing organisation**

Loan guarantee process at
Canton Basel-Stadt

10. Guaranteeing organisation receives application and issues guarantee to Bank

11. Bank receives guarantee from guaranteeing organisation and pays out credit

5. General requirements for federal program by the canton of Basel-Stadt

Verification of formal criteria and financials

- ✓ Formal criteria by self declaration through the company
- ✓ Calculation of maximal guarantee amount

Requirements related to business model

- ✓ Science- or technology-based
- ✓ Scalable
- ✓ Innovative
- ✓ Connection/ local relevance to Basel-Stadt

Overview support for tech-oriented Startup in Basel-Stadt in relation to the COVID 19 crisis

- Short time work compensation (KAE)
- Extension of rental relief program
(50% of rental costs, max 75'000.-/year/company for 2 years)
- Participation in the Federal startup COVID-19 loan program
(loan amounts to 1/3 expenses of 2019, max of loan 1m CHF, program runs till 31 August 2020, repayable in 10 years, max 100m CHF in total for CH)
- Cantonal startup COVID-19 loan program (starting July 2020)
(criteria in development, repayable in 10 years, max 40m CHF in total for the canton of Basel-Stadt)

5. Economic Development support of the canton of Basel-Stadt for the local industry

Supporting resident companies (contact point for local companies)
business@bs.ch, 061 267 66 99

Facilitator between government and business

- Company consultations, real-estate support & industry events

Industry and support programs

- Life Sciences, Logistic & Trade, Finance
- Convention promotion

Services and infrastructure

- Economic area development
- Technology Park Basel - offices and lab space for start-ups
- Switzerland Innovation Park Basel Area

Basel Area Business & Innovation (financed by BS, BL & JU)

- Accelerator programs BaseLaunch, Day One (BS only) & Industry 4.0 Challenge
- Support for embedding companies
- World-wide marketing of Basel Area as business location

Conclusions.

- Note the **cantonal differences** with respect to process, timing and duration
- Consider **constraints** attached to loans
- Consider **effect on balance sheet** and on attractiveness for future investors
- Check whether loans can be used as **credit lines**
- Startups domiciled in a canton that does not participate **are excluded** from the program
- Funds are limited; no allocation to the cantons **but first come first serve** → **start filing process as early as possible** if requirements are met and make sure that all necessary documents are available
- Check whether **additional cantonal programs** are available

6. Q&A.

We are ready for your questions

VISCHER

Thank you.

Zurich

Schützengasse 1
P.O.Box
8021 Zürich, Switzerland
T +41 58 211 34 00

Basel

Aeschenvorstadt 4
P.O.Box
4010 Basel, Switzerland
T +41 58 211 33 00

Geneva

Rue du Cloître 2-4
P.O.Box
1211 Geneva 3, Switzerland
T +41 58 211 35 00

www.vischer.com
