

# SHERIDANS

## **Introduction**

### **Raising finance secured against tax credits**

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# THE 7 STAGES OF MAN

*All the world's a stage,  
And all the men and women merely players;  
... one man in his time plays many parts,  
His acts being seven ages ...*

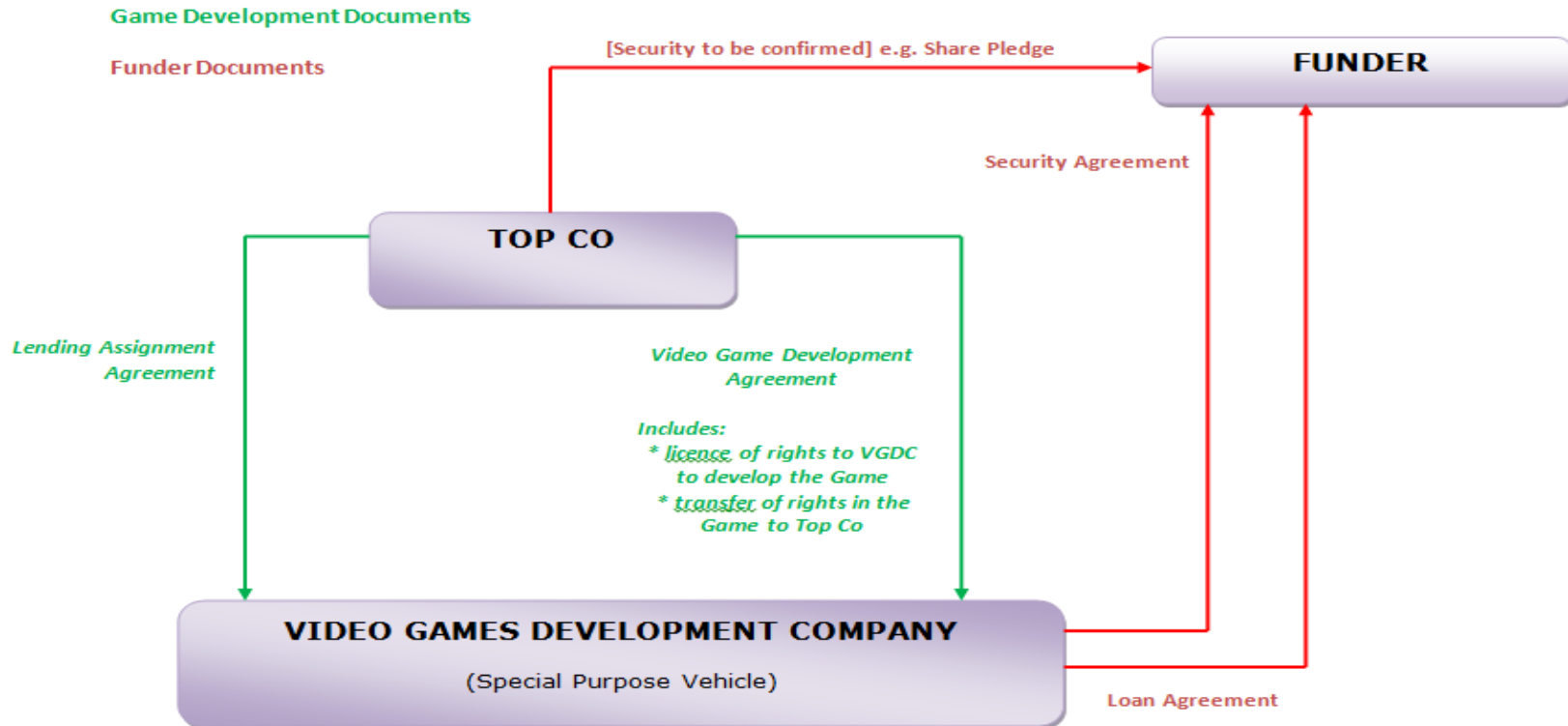
*William Shakespeare, As You Like It*

*THIS IS THE 7 STAGES OF TAX CREDIT LENDING*

# STAGE 1: UNDERSTAND THE BENEFITS

- Access to finance
- Straightforward when you know how
- Retain more equity
- Build relationships with financiers
- Tried and tested route for film: Turnaround for closing can be pretty quick
- Equally effective for short term bridging and long term project finance

# STAGE 2: IDENTIFY THE STRUCTURE



# STAGE 3:

## UNDERTSTAND THE KEY DOCUMENTS

- Funding / Loan Agreement
- Security Agreement in favour of Funder
- Security Perfection Notices (e.g. over Bank Account)
- Ancillaries

# STAGE 4: UNDERSTAND THE LENDER'S DUE DILIGENCE PROCESS

- Details of the Game
- Chain of Title
- Tax Credit CPs
- Other Collateral CPs
- Constitutional Documents & Corporate Authority Documents

# STAGE 5: UNDERSTAND THE LENDER'S CONCERNS

- Other Lenders
  - Existing Financial Indebtedness
  - Intercreditor Arrangements
- Repayment Risk & Security Profile
  - Scope of Security
  - 3<sup>rd</sup> Party Guarantees
- Game Due Diligence
  - Good title to the Game
  - Right to develop the Game
  - Non-UK Based Assets
  - *For Tax Credit*: Evidencing historic spend

# STAGE 6: IDENTIFY THE PRACTICAL CONSIDERATIONS

- Timeframe for 1<sup>st</sup> Advance
- Identifying & Instructing Counsel / Auditor
- Identifying Corporate Structure
- Funder's Funding & Greenlight Process
- Opening Tax Credit Accounts
- *For Tax Credit:* Timing for BFI Interim Application
- *For Other Collateral:* Engagement of 3<sup>rd</sup> Party Collateral Provider



# STAGE 7: UNDERSTAND THE 7 KEY BUSINESS POINTS

1. Investment Amount
2. Interest/Premium
3. Costs & Expenses
4. Timing of Cashflow
5. Repayment Terms
6. Flow of Funds
7. Events of Default

# FOR FURTHER INFORMATION

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