

General terms and conditions of an innovation loan from Innovate UK Loans Limited.

1. Important Information

These terms and conditions apply to organisations (which we will refer to as 'you' or 'your' from now on) who are applying for loan funding from Innovate UK Loans Ltd, a wholly-owned subsidiary of UK Research and Innovation ('we', 'us' or 'our'). These general terms and conditions apply to requests to fund the project named in the loan funding application and are confirmed in the loan agreement and security documentation that will be entered into if your application for an innovation loan is successful.

Entering into a loan agreement with us is a significant financial commitment. In applying, you must:

- have made your own assessment in relation to the suitability of the loan agreement for your business
- consent to all searches necessary to determine the financial status of your business and other relevant checks appropriate to assessing creditworthiness
- understand that as part of our due diligence key persons, directors, beneficial owners and any relevant related persons may be required to consent to credit reference checks
- understand that information provided by you in the application will form part of the loan agreement. Information later proven to be false or misleading may lead to a breach of the loan agreement which could result in the immediate withdrawal of the loan, a demand for immediate repayment and the enforcement of any security granted in connection with the loan agreement
- acknowledge that the execution of the loan agreement and all associated documents must be by an authorised signatory of the company and evidence of such authorisation must be provided in the form of a board resolution
- acknowledge that upon entry into a loan agreement with us you will incur binding legal obligations and should seek independent legal advice

2. Summary heads of terms

Our summary heads of terms provide an outline that reflects the typical nature of the loan agreement that we would consider making available.

The summary heads of terms are indicative and not exhaustive. We reserve the right to amend or withdraw these terms if required.

This is not an offer to provide finance.

Any loan agreement would be subject to due diligence and the documentation being in a form satisfactory to the lender:

1. Lender

Innovate UK Loans Ltd

2. Borrower

Eligible SMEs, being within the scope of the innovation loans scheme

3. Amount and term

Up to 100% of the eligible project costs of an approved R&D project, subject to minimum and maximum amounts set out in the competition brief for the relevant competition and which are not covered by grants to you from Innovate UK or other government support and which are required to develop and commercially exploit innovation relating to the project.

Term: overall maximum term as set out in the competition brief for the relevant competition, including:

Stage 1: availability period as set out in the competition brief for the relevant competition, during which drawdowns will be permitted.

Stage 2: extension period as set out in the competition brief for the relevant competition, during which no further drawdowns will be permitted.

Stage 3: repayment period as set out in the competition brief for the relevant competition.

4. Purpose

The loan is to be available to meet the eligible costs of a research and development project. This should be to develop and commercially exploit innovation.

5. Drawdown

Staged drawdowns, quarterly in advance based on project milestones.

Drawdowns will be subject to project progress, monitoring officer sign-off and financial and reporting covenants being met.

The full amount will not be drawn at the outset.

6. Fees

No arrangement, commitment, non-usage, monitoring or security fees will usually apply.

Where bespoke activities or arrangements are needed to complete a transaction, we reserve the right to pass on or share these costs, including our legal and valuation fees. This is subject to prior agreement with you.

7. Interest

During the availability and extension periods, interest will be payable quarterly at the rate set out in the relevant competition brief for the competition on amounts outstanding.

During the availability and extension periods, interest may be accrued quarterly at the rate set out in the relevant competition brief for the competition on amounts outstanding and deferred to the repayment period.

During the repayment period, interest will be payable quarterly at the rate set out in the relevant competition brief on amounts outstanding, including deferred interest from the availability and extension periods.

Fixed interest rate, subject to any restructuring or extension of the loan agreement.

The first interest period will start on the first drawdown date and the final interest period will end on the termination date.

8. Repayment

The final repayment structure will be determined by us but could include:

1. Interest-only period as set out in the relevant competition brief for the competition, consisting of the agreed availability period and extension period and
2. Repayment period as set out in the relevant competition brief for the competition by way of quarterly repayments including interest accrued and deferred during the availability and extension periods
3. Maximum term as set out in the relevant competition brief for the competition.

9. Pre-conditions

The pre-conditions will include at least:

1. Evidence of your status as an eligible UK-based SME
2. Delivery of security documents
3. Completion of "Know Your Customer" and Anti-Money Laundering requirements, for all directors and/or persons of significant control

10. Security

Typical security for a transaction of this nature can include, but is not limited to:

1. a debenture over the assets of your business (including, and without limitation, a fixed charge over key assets and a floating charge over all the other assets of your business)

Where other funders are involved in a package deal, or future commercial investment is subject to securing priority, intercreditor arrangements may be required. In this event priority over assets not specifically scheduled in support of the innovation loan will not be unreasonably withheld.

We will not take personal guarantees or security over principal private residences or benefit from the future sale thereof in the event of a realisation.

11. Loan covenants

The covenants set on each loan will depend on the structure of the transaction and the nature of the project. It is important to note that these covenants will consider the overall viability of your business. They will be relevant to the proper management of public funds but should not prevent you from delivering your planned activity.

We expect your project to meet its scheduled delivery timetable with the support of the monitoring officer.

For example, covenants will include, at least:

1. affirmative covenants

- maintaining financial records and management information
- compliance with UK tax obligations
- maintenance of adequate insurance, including specific insurance in connection with the assets of your business and 'key person' cover in case of the loss of an important member of your business

2. negative covenants

- control of "cash out", dividends and/or withdrawal of directors' loans.
- right of approval on change of control or business sale
- requirement to maintain prescribed debt service cover, liquidity, leverage and/or current assets ratios
- right to require repayment of the loan in the event of a loss of intellectual property supported by Innovate UK during the term of the loan
- right to seek early repayment through refinancing or as part of a liquidity event if, as a result, there is no longer a need for public funding in the form of the loan

- right to take control of any unexploited intellectual property developed through the project not foregone in a crystallisation event and distribute to the benefit of the UK innovation community
3. reporting covenants
- regular quarterly management information
 - annual accounts: audited as appropriate and as filed at Companies House and/or draft annual accounts, accountant-certified forecasts, tax returns and bank statements

Where the delivery of the project, its subsequent commercialisation and the overall viability of your business relies on the quality of the project, the business leadership team and the individuals within it, the lender may require 'key person' clauses in addition to the items above.

12. Events of default

The events of default will depend on the structure of the transaction and the nature of the project. The events of default will be market standard and will include at least the following:

1. Change of control of your business without our prior written consent, which will not be unreasonably withheld.
2. The departure of a 'key person' from the business or the project without our prior agreement to the proposed and timely remedy, which will not be unreasonably withheld.
3. Non-payment on repayment date.
4. Your failure to comply with your obligations under the loan agreement.
5. Insolvency of your business
6. Cross-default.
7. It is or becomes unlawful for any party to perform its obligations under the loan agreement.

If you default on your loan commitments, we will take steps to recover the debt in line with standard commercial practice.

13. Transferability and disclosure

We may freely transfer our rights under the loan agreement.

We may disclose information applicable to such a transfer. You will reasonably assist with the provision of such information.

You may not assign or transfer its rights under the loan agreement.

14. Governing law

English (with suitable amendments as appropriate for borrowers in Scotland or Northern Ireland)

15. Documentation

Our standard form loan agreement and security documentation will be used to document the transaction

3. Monitoring

1. We are required to demonstrate to UK Research and Innovation and the Department for Business, Energy and Industrial Strategy (BEIS) the effective performance management of project delivery. Your project will be monitored by Innovate UK's project monitoring service.
2. Throughout the term of your loan, the progress of your project is monitored by Innovate UK through your Monitoring Officer (MO). Your MO is your first point of contact for official notifications, queries and correspondence with Innovate UK, unless otherwise required by this agreement. You should comply with any reasonable request for information and deadlines by your MO.
3. Your project manager, and others as may be agreed from time to time, will meet with your MO once a calendar quarter (or agreed period) to review your written report for the period since the last monitoring meeting. You should deliver this report to your MO no later than 14 days before the scheduled monitoring meeting.
4. Your MO will require you to provide satisfactory evidence of project delivery in the following 3 aspects:
 - Technical assurance.
 - Financial assurance.
 - Project management assurance.

Failure to provide satisfactory evidence in any one of these areas will prevent your MO from validating your claims.

4. Warranties

1. As of the effective date on the loan agreement, you warrant to us that:
 - you have all necessary resources and expertise to deliver the project (this assumes your reliance on and timely receipt of the loan drawdowns and any conditions specified in the loan agreement)
 - you are not subject to any contractual or other restriction imposed by your or any other organisation's rules or regulations or otherwise which may

prevent or impede you from meeting your obligations in connection with the loan

- you have not committed any offence under the Bribery Act 2010
- you have adequate procedures in place for dealing with any conflicts of interest
- all financial and other information concerning you which has been disclosed to us is, to your reasonable knowledge and belief, true and accurate
- you are not aware of anything in your own affairs, which you have not disclosed to us, which might reasonably have influenced our decision of Innovate UK to make the grant approve the loan on the terms contained in the loan agreement
- since the date of your last accounts (if any) there has been no significant change in your financial position or prospects which you have not declared to us
- you are not subject to an outstanding order for the recovery of aid which has been declared by the European Commission to be illegal and incompatible with the Single Market and

5. Confidentiality and information management

1. We have the right to request access to any additional information we feel necessary in connection with the loan award. You must provide or allow access to such information within 10 working days of our request. We will treat your confidential and personal information in accordance with our policies and data protection legislation.
2. All your information disclosed deliberately or otherwise will be treated by us as confidential information and commercially sensitive as exempted under the Freedom of Information Act 2000 or any related legislation, unless otherwise marked or agreed in writing. For the avoidance of doubt, it is at your discretion and must be with the agreement of the relevant third parties, if you choose to disclose confidential information of third parties to us, at which point it will be treated as confidential information by us unless marked otherwise.
3. You acknowledge and accept the terms of <https://www.ukri.org/privacy-notice/> and <https://www.gov.uk/government/organisations/innovate-uk/about/personal-information-charter> which should be read in addition to <https://www.ukri.org/privacy-notice/>. This policy explains Innovate UK's specific arrangements for collecting, storing, using and sharing your information. This can include personal data or confidential or commercially sensitive information. It provides details on how we use this information to support our ability to fund,

support and connect innovative businesses and encourage sustainable economic growth for the UK.

4. Any information we collect from you, through our online platforms, grant loan applications and administration, events or elsewhere, will be managed according to this policy and is subject to data protection. This policy complies with the <https://gdpr-info.eu/> (EU 2016/679), or GDPR, introduced on 25 May 2018.
5. As a public sector organisation we are also subject to some further data protection obligations under the <http://www.legislation.gov.uk/ukpga/2018/12/contents>

6. Intellectual property rights

1. Any intellectual property rights (IPRs) developed during or as a result of the project are owned by you.
2. You will ensure that you have the necessary rights to use or access third party IPR needed to carry out the project.
3. You will manage IPRs in a professional and business-like manner in order, amongst other things, to help the achievement of Innovate UK's overall aims of encouraging the commercialisation of new technologies, helping businesses to grow by benefiting from UK research and enhancing growth of high technology industry in UK.

7. Exploitation of project results

1. We require you to establish an exploitation plan together with your Monitoring Officer at the start of your project, and to refine and update it at least once every 6 months (or at other intervals as agreed with us) throughout the project's lifetime.

For a period of 5 years from the end of the project, we expect you to take reasonable steps to exploit the results of the project in the UK or wider European Economic Area. We will continuously evaluate the impact of funding awarded to the project and you will cooperate fully in this process.

2. You must refine and update your exploitation plan, initially set out in your application, throughout the lifetime of the project and where specified for a defined period after the project end date.

8. UK statutory framework

1. We are required to comply with all legislation in England and Wales.

2. You must also comply with all legislation (including in the devolved administrations) where they apply to you and to act in a way that does not affect our ability to comply.
3. We particularly draw to your attention the Bribery Act 2010, the Data Protection Act 2018, the Fraud Act 2006, the Health and Safety at Work Act 1974, the Modern Slavery Act 2015 and the Procurement Regulations 2015.

9. Publication of information

1. We encourage you to seek your own publicity in respect of the project. If you want to publicise the project in any way whatsoever, please consult the Innovate UK guide 'Publicising your project: guidelines from Innovate UK' available from Innovate UK's Press Office by emailing pressoffice@innovateuk.ukri.org