

## The real reasons why you should consider venture debt

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**CATEGORY:**  
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Our venture debt services form part of the broader package provided by Withers tech and our corporate & commercial team to support fast growing companies and early stage tech corporates. We typically support businesses who have already completed one or two institutional funding rounds and who are considering bespoke venture debt and runway finance options. This can often be at a challenging phase for a business which could be under pressure to meet financial targets, to hit particular growth milestones, to capitalise on market opportunities, to bridge a funding or timing gap or potentially even to fund an acquisition. Venture debt is also used to complement existing equity backing or as an alternative to further equity dilution. We are accustomed to helping our clients navigate through the challenges of putting in place venture debt, providing practical and commercial solutions and negotiating terms with the finance providers. Because we frequently act on deals provided by the key UK venture debt lenders we have a good understanding of typical requirements and specific terms involving particular lenders. This experience provides us with a more measured and practical commercial approach. For example we have insight into what lenders are likely to accept during in the negotiation process.

We advise corporate borrowers on both the debt and equity aspects of a venture debt transaction. This runs all the way from term sheet stage to closing. Importantly, we understand the complex lender requirements under the loan and warrant documentation and know how to distil this concisely into the commercial realities for the borrower. Our support includes:

- Negotiating term sheets
- Negotiating loan, warrant and security documentation
- Advice on typical lender security requirements in respect of IP/commercial contracts and/or receivables and the practicalities for a borrower
- Advice (including local counsel support where applicable) on cross border elements where subsidiary entities or local branch offices are also participating in the financing/providing guarantee/security support
- Handling any related commercial or IP issues where issues arise in structuring the security package and deliverables
- Assistance with all corporate approvals and investor consents required to complete the transaction

Recent examples of our work include:

- Advising US parent and UK subsidiary university and careers guidance platform in connection with their post Series A £1.5m venture debt financing. The transaction involved both UK and US security and guarantee package, with a detailed IP package and technical discussions on formulations of key milestones tied to “completed” customer contracts, reconciling complex lender requirements as to control over upstream and downstream cashflows and intercompany debt, whilst maintaining flexibility over cash and sufficient working capital for the borrower’s business. The deal also required bespoke negotiation on a deal specific change of control trigger to ensure that further funding rounds would not inadvertently trigger lender’s acceleration rights.
- Advising UK borrower entity which specialises in cloud based customer risk solutions for KYC and other onboarding compliance requirements in connection with their post Series A £5m venture debt financing. The transaction involved both UK and US security and guarantee package and advice on specific structuring of security package to capture multiple currency bank accounts, customer collections and material contracts and forward planning with client to ensure that future expansion and fundraising plans would not be obstructed by the loan covenant framework.
- Advising BVI based venture capital firm in connection with a £10m term loan facility provided to a Luxco borrower entity providing funding to a UK property development company. The BVI based venture capital firm was the senior mezzanine lender on this transaction and we were also required to advise on appropriate subordination terms with the other mezzanine lenders to preserve their seniority and in relation to their credit position against the over-reaching senior lender funding, security and

intercreditor in place at the UK propco level. The mezzanine loan was also guarantee-backed by multi jurisdictional guarantors in Switzerland, BVI and Dubai and local counsel support and local law legal opinions were also required.

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