

Capped Direct Guarantee under the
COSME Loan Guarantee Facility
Indicative Term Sheet

Important Disclaimer

This summary term sheet is for information purposes only. This document is an outline of the principal terms and conditions for the product described herein, which are non-exhaustive and subject to change.

This document is intended to provide a basis for discussions and does not constitute a recommendation, a solicitation, an offer or a binding commitment – either implicit or explicit – on the part of the European Investment Fund (“EIF” or the “**Relevant Entity**”) and/or any other person to enter into one or more transaction(s). Any finance commitment by the Relevant Entity can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. The Relevant Entity does not act as adviser to you or owe you any fiduciary duty. The Relevant Entity does not make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

Overview of the Capped Direct Guarantee

Financial Intermediaries must comply with the COSME Enhanced Access to Finance (“EAF”) Eligibility Criteria with the purpose of ensuring that the guarantee is provided to financial intermediaries providing enhanced access to finance to SMEs as per the COSME Programme objectives. Target SMEs for the COSME Loan Guarantee Facility (“COSME LGF”) are defined in the SME Higher Risk Categories¹, which provide diverse options for the financial intermediary to focus on financing to those SMEs with COSME support.

The credit risk protection shall be provided through a guarantee which shall be issued by EIF acting on behalf of the European Commission for the benefit of a selected financial intermediary (the “**Financial Intermediary**”) complying with the criteria set out herein.

It shall partly cover the credit risk associated to eligible Debt Financing granted to SMEs (“**Final Recipient Transactions**”) included in the portfolio (the “**Portfolio**”). Final Recipient Transactions shall be covered at a guarantee rate of up to 50% and typically set at its maximum (the “**Guarantee Rate**”). For the purpose of alignment of interest, the Financial Intermediary will have to retain a minimum 20% exposure of the outstanding global principal amount of the Final Recipient Transactions included in the Portfolio.

¹ See page 12 of this indicative term sheet.

The Guarantee is subject to a cap amount (the “**Guarantee Cap Amount**”). This Guarantee Cap Amount is calculated as follows:

Actual Portfolio Volume (i.e. the portfolio volume calculated as the sum of the disbursed principal amount of all eligible Final Recipient Transactions issued by the Financial Intermediary as evidenced in the last Report received by the EIF prior to any such calculations) x Guarantee Rate (as defined in the table below) x Guarantee Cap Rate (as defined in the table below).

The guarantee shall constitute a financial guarantee and shall cover losses (relating to unpaid principal and interest, further reduced pro-rata by any recovered amounts) incurred by the Financial Intermediary in respect of the guaranteed part of each defaulted eligible Final Recipient Transaction up to the Cap Amount (the “**Guarantee**”).

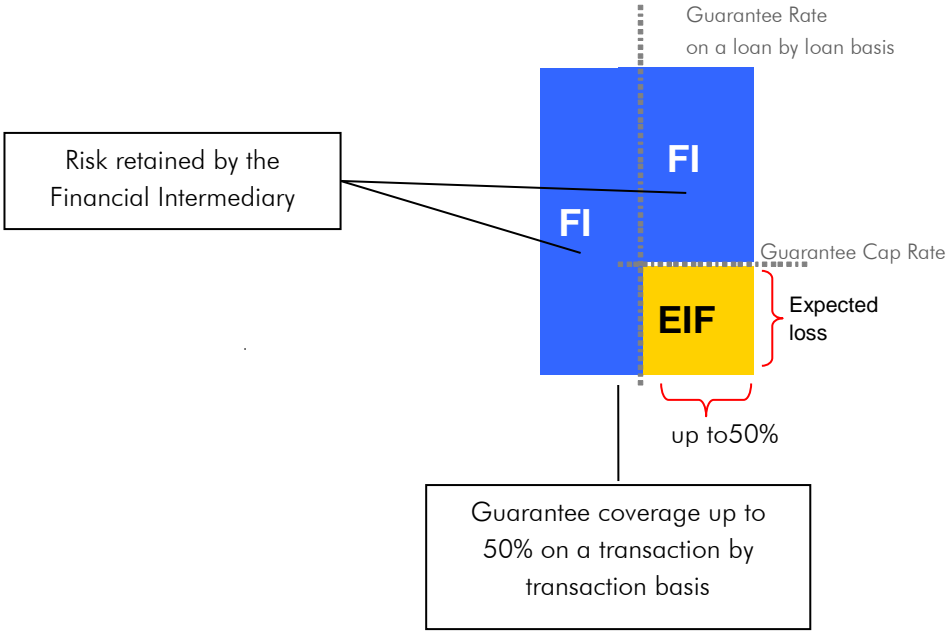
The capped Guarantee will be provided by EIF free of charge to the Financial Intermediary.

The origination, due diligence, documentation and servicing of the Final Recipient Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures. In this context, the Financial Intermediary shall retain the direct client credit relationship for each Final Recipient Transaction (according to pre-defined eligibility criteria on a transaction-by-transaction and portfolio basis), which will be automatically covered, by way of submitting inclusion notices to the EIF on a quarterly basis until the end of the relevant Inclusion Period (as defined below).

Complementarity with other financial instruments

- *Financial Instruments providing liquidity:* The guarantees provided under the COSME Loan Guarantee Facility will provide partial credit risk protection for a portfolio of Final Recipient Transactions. If Financial Intermediaries deem it necessary and if available to them, e.g. through national or regional programmes or through other institutions, they may combine the credit risk protection provided under the COSME LGF with pure liquidity financial instruments supported through other sources (e.g. supplementary EIB global loans which would bring the potential to gain access to cheaper funding and pass on a lower interest rate to SMEs through a reduction of the funding margin).
- *Financial Instruments providing partial credit risk protection:* As indicated above, guarantees issued under the COSME Loan Guarantee Facility will provide partial credit risk protection (up to 50% of the final loss, capped at the portfolio expected loss). If Financial Intermediaries deem it necessary and if available to them, e.g. through national or regional programmes or through other institutions, they may combine the credit risk protection instrument for such portfolio, provided that, for alignment of interest, the Financial Intermediary must retain a risk exposure of at least 20% to the outstanding global principal amount of the Portfolio of Final Recipient Transactions.

Indicative terms of the Direct Guarantee

<p>EU Policy Objective</p>	<p>To provide enhanced access to finance to SMEs in all areas of the economy, other than in the Restricted Sectors, especially in their start up and growth and transfer phases, specifically to those who have difficulties in getting access to finance because of a perceived higher risk, lack of an established track record or lack of available collateral as further described in the Eligibility Criteria section below.</p>
<p>Structure of the Portfolio Guarantee</p>	<p>First Loss Portfolio Guarantee providing partial credit risk coverage on a transaction-by-transaction basis for the creation of a portfolio of eligible Final Recipient Transactions. The Guarantee, provided by EIF but financed by the European Union under the COSME Programme, shall cover Losses incurred by the Financial Intermediary at a Guarantee Rate subject to the Guarantee Cap Rate. Losses covered by the Guarantee in respect of the Portfolio of eligible Final Recipient Transactions shall in aggregate not exceed the Guarantee Cap Amount stipulated in the guarantee agreement (the “Guarantee Agreement”) between EIF and the relevant Financial Intermediary.</p> <p>The maximum term of the Guarantee will be 10 years. For the avoidance of doubt, Final Recipient Transactions may have longer maturities.</p> <p>An indicative chart of the structure is set-out below :</p>  <p>The diagram illustrates the risk allocation between the Financial Intermediary (FI) and the European Infrastructure Fund (EIF). The total risk is represented by a blue bar. The EIF portion is shown in yellow and is further divided into 'Expected loss' and 'Guarantee coverage up to 50% on a transaction by transaction basis'. A vertical dashed line indicates the 'Guarantee Rate on a loan by loan basis', and a horizontal dashed line indicates the 'Guarantee Cap Rate'. A box points to the EIF portion as 'Risk retained by the Financial Intermediary'.</p>
<p>Participating Countries</p>	<p>As at the date of amendment of this Call of Expression of Interest, the countries covered by the COSME LGF comprise the EU Member States, Iceland, Montenegro, Turkey, the former Yugoslav Republic of Macedonia (FYROM), Albania, Serbia and Bosnia and Herzegovina, Kosovo². Additional countries may potentially be added to the list of Participating Countries of the COSME Programme at a later stage. For up-to-date information please consult the COSME Portal:</p>

² This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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	http://ec.europa.eu/growth/smes/cosme/index_en.htm .
Governing Law and Language	The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England.
Guarantee Currency	The Guarantee shall be expressed in the Base Currency. All amounts and payments made under the Guarantee Agreement by and to the EIF shall be in the Base Currency. If a Final Recipient Transaction is denominated in a currency other than the Base Currency, or a Loss has been incurred in a currency other than the Base Currency, or a Recovery is in a currency other than the Base Currency, the Guarantee Agreement shall specify the applicable FX mechanism.
Base Currency	The Final Recipient Transactions can be denominated in EUR or certain other currencies. If the Portfolio consists of Final Recipient Transactions denominated in currencies other than EUR, one of such non-EUR currency may be designated as the Base Currency.
Portfolio	The portfolio of Final Recipient Transactions covered by the Guarantee.
Availability Period	Unless otherwise specified in the Guarantee Agreement, a period starting within 6 months from the date of signature of the Guarantee Agreement until the end of which the relevant Financial Intermediary may approve Final Recipient Transactions and shall usually cover a period of 2 to 3 years.
Inclusion Period	<p>Means a period starting on the same date as the Availability Period and ending on the day falling 6 months after the end of the Availability Period or on the Extraordinary Inclusion Period End Date. During this period, Final Recipient Transactions may be included in the Portfolio, provided that such transactions were approved before the end of the Availability Period and have been at least partially disbursed before the end of the Inclusion Period.</p> <p>The inclusion of Final Recipient Transactions shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a quarterly basis. For the avoidance of doubt, the Final Recipient Transactions so included shall be covered by the Guarantee from the date on which such Final Recipient Transactions have been entered into.</p>
Extraordinary Inclusion Period End Date	<p>Unless stipulated otherwise in the Guarantee Agreement, the earlier of:</p> <ol style="list-style-type: none"> the date on which the EIF is effectively notified by the Financial Intermediary of a request to terminate the Inclusion Period; the date on which a Trigger Event occurred; and the Termination Date. <p>For the avoidance of doubt, the already included Final Recipient Transactions would continue to be covered under the Guarantee Agreement.</p>
Financial Intermediary	Any entity (including financial or credit institutions) duly authorised to carry out financing according to the applicable legislation, established and operating in one or more Participating Countries. Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which it may be subject and shall not (other than as a result only of events or circumstances beyond the control of the Financial Intermediary) be established, and shall not maintain business relations which are covered by the COSME LGF with entities incorporated, in territories determined as Non-Cooperating Jurisdictions, as defined in the open Call For Expression of Interest to select Financial Intermediaries under the COSME LGF.
Maximum Portfolio Volume	The maximum aggregate amount of principal of Final Recipient Transactions to be included in the Portfolio, as agreed in the Guarantee Agreement. The Maximum

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	Portfolio Volume shall be denominated in the Base Currency.
Actual Portfolio Volume	<p>Expressed in the Base Currency, the aggregate amount of the principal committed to be made available under newly originated Final Recipient Transactions included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <ul style="list-style-type: none"> i) if any Final Recipient Transaction is prepaid and/or repaid, then this shall not reduce the Actual Portfolio Volume; ii) if a Final Recipient Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such Final Recipient Transaction will not be taken into account for the calculation of the Actual Portfolio Volume; and iii) the Actual Portfolio Volume may in no circumstances exceed the Maximum Portfolio Volume. <p>On the earlier of:</p> <ul style="list-style-type: none"> (i) the end of a disbursement period when amounts are available for utilisation by a Final Recipient, and (ii) the date falling 3 months after the end of the Inclusion Period, the Actual Portfolio Volume will be adjusted in order to reflect the aggregate principal amount of principal drawn by the Final Recipients prior to this date.
Trigger Event	Means any of the Portfolio Trigger Event and the Jurisdiction Tax Trigger Event.
Jurisdiction Tax Trigger Event	A trigger event shall occur if, during the Inclusion Period, the jurisdiction where the Financial Intermediary is established ceases to cooperate with the European Union in relation to the application of internationally agreed tax standards, such jurisdictions being set out in the relevant OECD report as non compliant.
Portfolio Trigger Event	A trigger event may occur if, on one or more specified date(s) during the Inclusion Period, the Actual Portfolio Volume does not reach a pre-agreed level.
Losses	The Guarantee shall cover Losses at the Guarantee Rate and Guarantee Cap Rate incurred by the Financial Intermediary up to the Cap Amount. Losses mean any principal and interest amounts (excluding late payments or default interests, capitalised interests, any interest amount which accrued after a period of 90 days, fees and any other costs and expenses) due to the Financial Intermediary under the terms of the covered Final Recipient Transaction following the occurrence of either a Transaction Default, a Transaction Acceleration or a Transaction Restructuring.
Transaction Default	<p>Means, in respect of a Final Recipient Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that</p> <ul style="list-style-type: none"> (i) the Financial Intermediary considers at any time (acting reasonably in accordance with its internal procedures) that a Final Recipient will be unlikely to meet its payment obligations under such Final Recipient Transaction (without recourse by the Financial Intermediary to action such as realisation of security)³; or (ii) a Final Recipient has failed to meet any payment obligation under the relevant Final Recipient Transaction which has continued for at least 90 consecutive calendar days. <p>To cure a Transaction Default, the terms of the Final Recipient Transaction may be amended.</p>
Transaction	Means, in respect of a Final Recipient Transaction, and unless otherwise specified in

³ Also applicable to Transactions which convert to equity.

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Acceleration	the specific terms of the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such Final Recipient Transaction which has entitled the Financial Intermediary to accelerate payment of any amounts owed to it and the Financial Intermediary has exercised such right of acceleration (or is prevented from exercising such rights of acceleration solely by application of mandatory laws and regulations preventing or staying the exercise of such right).
Transaction Restructuring	Means, in respect of a Final Recipient Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that the Financial Intermediary agrees to the restructuring of such Final Recipient Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant Final Recipient is reduced, in order to improve the collectability of the claims arising from the relevant Final Recipient Transaction.
Guarantee Cap Rate	A percentage of the portion of the Actual Portfolio Volume covered by the Guarantee, up to 20%. It shall be determined by EIF after having performed its analysis/due diligence of the application and shall reflect EIF's estimation at that time of the expected losses of Final Recipient Transactions of the Portfolio to cover. For transactions under OPTION 2 of the SME High Risk Categories the Cap Rate is subject to adjustment, as further specified in the Specific Terms relative to OPTION 2 section below.
Guarantee Rate	The Guarantee Rate shall not exceed 50% of each Final Recipient Transaction covered by the Guarantee and will be typically set at its maximum.
Cap Amount	An amount, expressed in the Base Currency, set in the Guarantee Agreement, at which the obligation to pay under the Guarantee is capped, which is the maximum liability under the Guarantee and is calculated at Financial Intermediary level as the product of the i) Actual Portfolio Volume, ii) the Guarantee Rate, and iii) the Guarantee Cap Rate. For the avoidance of doubt, on the earlier of: <ul style="list-style-type: none"> (i) the end of a disbursement period when amounts are available for utilisation by a Final Recipient, and (ii) the date falling 3 months after the end of the Inclusion Period, the relevant calculation is based on the adjusted Actual Portfolio Volume.
Payment Demand	Payment Demands shall only be valid if they are: <ul style="list-style-type: none"> a) relating to Losses incurred by the Financial Intermediary in respect of Defaulted, Restructured or Accelerated Final Recipient Transactions, which default, restructuring or acceleration has occurred no later than a period of ten years after the date of the document evidencing the relevant Final Recipient Transaction; and b) sent during the Payment Demand Period.
Payment Demand Period	Means the period starting on the first day of the Availability Period to (and including) the Final Payment Demand Date.
Payment Demand Date	Subject to receiving valid Payment Demands, the EIF shall pay any amounts claimed thereunder within 60 calendar days of the Report Date relating to the quarter when such Payment Demands were received. The last Payment Demand Date being the Final Payment Demand Date.
Final Payment Demand Date	Means 60 calendar days after the first Report Date following the Termination Date (except that, in case of Early Termination Date it shall be 1 month after the Early Termination Date).
Events of Default under the Guarantee	The Guarantee Agreement contains certain standard events of default, including non-payment, breach of obligation, insolvency, unlawfulness and misrepresentation. The occurrence of an event of default, if it has not been remedied within the relevant

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	grace period (if any), may result in the early termination of the Guarantee Agreement (such event, an "Early Termination"). Upon Early Termination all amounts due by the EIF and/or the Financial Intermediary would be calculated in accordance with the terms of the Guarantee Agreement based on the reported data as of the Report Date immediately preceding the Early Termination. For agreements under Option 2, such calculation will be subject to a <i>pro rata temporis</i> adjustment of the Reference Portfolio Volume and Minimum Portfolio Volume by reference to the reduction of the Availability Period (if applicable).
Termination Date	The Guarantee shall terminate on the earlier of: (i) twelfth anniversary of the termination date of the Inclusion Period; (ii) the date on which an Early Termination (if any) has occurred, (iii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee and (iv) 31 December 2034.
Termination of the Guarantee	Upon termination of the Guarantee Agreement, EIF will initiate negotiations with the Financial Intermediary to settle any outstanding rights and liabilities based, inter alia, on an estimation of future Loss Recoveries (including, for the avoidance of doubt, any Recoveries arising under the right of clawback) and outstanding liabilities in relation to Losses in light of the respective Cap Amount.

Guarantee Fee

Guarantee Fee	The Guarantee is free of charge.
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Eligibility Criteria

Final Recipient	An SME which has entered into a Final Recipient Transaction
SMEs	Micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36) as amended from time to time.
Final Recipient Transaction	Means any form of Debt Financing provided by a Financial Intermediary to an SME
Debt Financing	Means any type of debt financing, including subordinated loans, participating loans, convertible loans, leasing, Revolving Credit Transactions or bank guarantees.
Revolving Credit Transaction	Means a Final Recipient Transaction taking the form of a loan instrument pursuant to which a Final Recipient is entitled to use, on a revolving basis, financing made available to it by the Financial Intermediary for a specified period through one or more drawdowns and repayments (including by settling obligations arising from letter of credit) up to the commitment. For the avoidance of doubt, Revolving Credit Transactions shall include revolving working capital facilities, including those embedded in or linked to a current account and exclude any credit or loan resulting from utilisation of credit card limits.
Rollover of Revolving Credit Transactions	In the case of Revolving Credit Transactions, any entry into an agreement with a new maturity for a Revolving Credit Transaction with the same Final Recipient as a replacement of an existing Revolving Credit Transaction by the Final Recipient of amounts outstanding under the existing Revolving Credit Transaction, shall be treated as an extension of the maturity of the existing Final Recipient Transaction and not as the entry into a new Final Recipient Transaction with the relevant Final Recipient. For the avoidance of doubt, such extended maturity must not exceed 5 years, where the

	relevant term shall be calculated starting from the day the existing Revolving Credit Transaction was entered into, as further specified in section Eligibility Criteria below.
Conversion of Revolving Credit Transactions	If a Revolving Credit Transaction is converted to a Final Recipient Transaction which is not a Revolving Credit Transaction, as a result of entry into a new contractual agreement or the execution of a contractual amendment, the resulting Final Recipient Transaction shall continue to be covered by the Guarantee (and shall not be treated as a new Final Recipient Transaction entered into with the relevant Final Recipient).
Eligibility Criteria	<p>The Eligibility Criteria shall comprise the Final Recipient Eligibility Criteria, the Final Recipient Transaction Eligibility Criteria and the COSME Enhanced Access to Finance (EAF) Criteria.</p> <p>Final Recipient Transactions to be included in the Portfolio under the Guarantee Agreement shall comply with the eligibility criteria set out below and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement (collectively, the “Eligibility Criteria”).</p> <p>A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Final Recipient Transaction(s) from the Portfolio save as specified in the “Exclusion Process” or in the context of curing a Transaction Default as further specified in section Transaction Default above.</p> <p>1. Final Recipient Eligibility Criteria</p> <p>SMEs under Final Recipient Transactions shall comply with each of the following eligibility criteria:</p> <ul style="list-style-type: none"> i) The Final Recipient shall be a micro, small or medium-sized enterprise (“SMEs”) as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36); ii) The Final Recipient shall not be subject to collective insolvency proceedings nor fulfil the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors; iii) Restricted Sectors: the Final Recipient shall not have a substantial focus on one or more Restricted Sectors (as determined by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant Final Recipient); iv) The Final Recipient shall not be delinquent or in default in respect of any other debt financing either granted by the Financial Intermediary or by another financial institution pursuant to checks made in accordance with the Financial Intermediary’s internal guidelines and credit and collection policy; v) The Final Recipient shall not be established in territories whose jurisdictions do not cooperate with the European Union in relation to the

	<p>application of internationally agreed tax standards, such jurisdictions being set out in the relevant OECD report as non compliant;</p> <p>vi) The Final Recipient shall be established and operating in a participating country;</p> <p>vii) The Final Recipient shall not be performing Illegal Economic Activities, any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity.</p> <p>2. Final Recipient Transaction Eligibility Criteria</p> <p>Final Recipient Transactions shall comply with each of the following eligibility criteria:</p> <p>i) Origination period: Final Recipient Transactions shall be newly originated, i.e. entered into by the Financial Intermediary during the Inclusion Period (for the avoidance of doubt this shall exclude refinancing transactions which have already been financed by another financial institution except at maturity);</p> <p>ii) Final Recipient Transactions shall be granted for one or more permitted purposes: (1) investment in tangible and/or intangible assets and/or (2) working capital including business transfers;</p> <p>iii) Type of financing: Final Recipient Transactions shall be Debt Financing transactions;</p> <p>iv) Form: Final Recipient Transactions other than bank guarantees shall have a fixed repayment schedule or be a Revolving Credit Transaction;</p> <p>v) Principal amount: The principal amount of a Final Recipient Transaction included in the Portfolio (which must be included for its full principal amount and not the portion thereof) shall not exceed EUR 150,0004. Debt Financing above EUR 150,000 may also be included, provided that the Financial Intermediary can demonstrate by means of the checklist provided that the SME is not eligible under the InnovFin SME window in the Debt Facility5. In the case of a Final Recipient Transaction above EUR 600,000, the Final Recipient must make a representation (including in the relevant agreement) as set out in point (1) of page 2 of Annex I of this Call for Expression of Interest;</p> <p>vi) Guaranteed principal Final Recipient Transaction amount: The following thresholds apply:</p> <p align="center">1. the amount of financing guaranteed is up to</p>
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⁴ If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under vi) above should be respected and calculated according to an FX Mechanism that will be specified in the Guarantee Agreement.

⁵ The InnovFin SME Eligibility Criteria are listed in the InnovFin Call for Expression of Interest issued on EIF's website: http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm

	<p>EUR 1,500,000 (or EUR 750,000 for SMEs performing road freight transport) and the duration of the Final Recipient Transaction is up to five years; or</p> <p>2. the amount of financing guaranteed is up to EUR 750,000 (or EUR 375,000 for SMEs performing road freight transport) and the duration of the Final Recipient Transaction exceeds five years with the guarantee being limited to a maximum of 10 years;</p> <p>vii) Final Recipient Transactions shall have a minimum scheduled maturity of 12 months;</p> <p>viii) Final Recipient Transactions shall not be affected by an Irregularity or Fraud;</p> <p>ix) Other than as a result of a Conversion of the Revolving Credit Transaction the maximum maturity of Final Recipient Transactions in the form of Revolving Credit Transactions shall not exceed 5 years;</p> <p>x) Final Recipient Transactions shall be denominated in EUR and/or any other currency as specified in the Guarantee Agreement. If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under (v) and (vi) above should be respected;</p> <p>xi) The Final Recipient Transaction should comply with the COSME Enhanced Access to Finance (EAF) Criteria.</p> <p>3. COSME Enhanced Access to Finance (EAF) Criteria</p> <p>These criteria will be specified in the Guarantee Agreement on a case by case basis, following EIF's assessment, and will include:</p> <p>i) The Final Recipient Transactions included in the Portfolio shall belong to one of the SME Higher Risk Categories;</p> <p>ii) Additional EAF Criteria (if any) as specified in the Guarantee Agreement (e.g. EIF may agree with the Financial Intermediary some features of the Final Recipient Transactions in line with the programme objectives, i.e. perceived high risk at the level of the Final Recipient).</p>
<p>SME Higher Risk Categories</p>	<p>The SME Higher Risk Categories comprise:</p> <p>OPTION 1:</p> <p>This option shall comprise Final Recipient Transactions with features and/or with a focus on one or more segments of Final Recipients which are not provided for by the Financial Intermediary, or only in exceptional cases, in light of the Financial Intermediary's current credit policy and/or credit practice due to their higher credit risk (e.g. loans to start-ups).</p> <p>Under this option, the Financial Intermediary benefits from the full Cap Rate from the first guarantee onwards.</p>

	<p>OPTION 2: This option allows the Financial Intermediary to substantially increase its Debt Financing volume to the SMEs to which the Financial Intermediary is allowed to lend under its credit policy but to which the Financial Intermediary has not been actively lending due to, inter alia, the higher risk or absence of sufficient collateral as evidenced by the SME loan book (i.e. up to the bottom quartile of the risk categories of the SME Debt Financing originated directly by the Financial Intermediary in the last 12 months of activity and measured by the committed nominal volume, rounded up to the full rating category containing the threshold level (i.e. 25%), the “Acceptable Rating Categories”)⁶.</p> <p>Under this option, the Financial Intermediary benefits from the COSME Guarantee once the Actual Portfolio Volume exceeds the Reference Portfolio Volume. The full Cap Rate is available once the Minimum Portfolio Volume is reached.</p> <p>For Guarantee Agreements under Option 2 of SME Higher Risk Categories, please refer to the additional terms detailed in the Specific Terms relative to OPTION 2 section below.</p>
<p>Specific terms relating to OPTION 2</p>	<p>The Guarantee Agreement will contain an estimate of a reference volume, based on the aggregate principal amount of Final Recipient Transactions complying with the Acceptable Risk Categories and that would have been made available to SMEs in the absence of the Guarantee (the “Reference Portfolio Volume”).</p> <p>The Guarantee Agreement will also set two target volumes being higher than the Reference Portfolio Volume (the “Minimum Portfolio Volume” and the “Maximum Portfolio Volume”).</p> <p>The Guarantee coverage will depend on the level of the Actual Portfolio Volume at the end of the Inclusion Period.</p> <ul style="list-style-type: none"> - If the Actual Portfolio Volume reaches the Minimum Portfolio Volume, the coverage by the Guarantee will be set at its maximum; - If the Actual Portfolio Volume is above the Reference Portfolio Volume but below the Minimum Portfolio Volume, the Cap Amount will be adjusted; - If the Actual Portfolio Volume is below the Reference Portfolio Volume, the Guarantee Agreement will be terminated. <p>Right of Clawback: EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid by EIF in excess of the Adjusted Cap Amount or as a result of an exclusion of a Final Recipient Transaction from the Portfolio.</p>
<p>Restricted Sectors</p>	<p>The list of restricted sectors can be found on the EIF website: http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm</p> <p>When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes; or (ii)</p>

⁶ In the case of state owned promotional institutions, please contact EIF for further reference.

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	<p>Genetically Modified Organisms (“GMOs”), the EIF will require from the Financial Intermediary appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.</p> <p>The binding list of Restricted Sectors shall be set as of the date of the Guarantee Agreement.</p>
Lease	<p>Means, unless otherwise specified in the specific terms of the Guarantee Agreement, any ‘hire-purchase’ or a lease contract which would be treated as ‘finance lease’ , i.e. the lease where substantially all risks and rewards from the leased asset(s) accrue to the SME⁷.</p>
Fraud	<p>Fraud includes, without limitation, as set out in Article 1 in the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities’ financial interests (OJ C 316, 27.11.1995, p.49), fraud affecting European Union’s financial interests.</p>
Irregularity	<p>Shall have the meaning as set out in Article 1.2 in Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p.1)⁸</p>
Exclusion Process	<p>i) At any time, the EIF may verify whether a Final Recipient Transaction included in the Portfolio is an eligible Final Recipient Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Guarantee Agreement. At any time upon becoming aware of the same, the EIF may notify the Financial Intermediary by sending an Exclusion Notice identifying such non-eligible Final Recipient Transaction.</p> <p>ii) If a Financial Intermediary becomes aware of the same the Financial Intermediary shall include such information in the immediately following Report delivered to the EIF.</p> <p>In each of the cases (i) and (ii) the Final Recipient Transaction shall be excluded from the Portfolio (and shall not be covered by the Guarantee) (“Excluded Final Recipient Transaction”) as of the date on which it became a non-eligible Final Recipient Transaction.</p> <p>However if a Final Recipient Transaction included in the Portfolio is or becomes a non-eligible Final Recipient Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary after a payment demand relating to a Final Recipient Transaction, then such Final Recipient Transaction shall be deemed to be covered by the Guarantee.</p> <p>Similarly if a Final Recipient Transaction included in the Portfolio becomes a non-eligible Final Recipient Transaction as a result of any event or circumstance beyond</p>

⁷ Such determination shall be made by the Financial Intermediary at the inception of the lease, taking into account the substance of the lease contract and observing relevant applicable accounting standards.

⁸ Any infringement of a provision of EU Law resulting from an act or omission by a an economic operator which has, or would have, the effect of prejudicing the general budget of the EU or budgets managed by them either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

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	<p>the control of the Financial Intermediary but before a payment demand relating to the Final Recipient Transaction, then such Final Recipient Transaction shall be deemed to be covered by the Guarantee if the Financial Intermediary procures that all amounts owed by the relevant Final Recipient under such Final Recipient Transaction are accelerated or such Final Recipient Transaction is otherwise terminated no later than the Report Date immediately following the date on which it became aware of the same.</p> <p>However if the Financial Intermediary does not proceed to the acceleration of such Final Recipient Transaction within the timeframe specified above then such Final Recipient Transaction shall be excluded from the Portfolio as of the date on which it became a non-eligible Final Recipient Transaction.</p> <p>The Actual Portfolio Volume shall be reduced following an exclusion from the Portfolio by the aggregate committed principal amount of the Final Recipient Transactions so excluded.</p>
Right of Clawback	<p>EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid under the Guarantee by EIF in excess of the Loss, in excess of the Cap Amount, and any excess amount paid by EIF as a result of an exclusion of a Final Recipient Transaction from the Portfolio.</p>

Miscellaneous

Servicing and Recoveries	<p>The Financial Intermediary shall service the Portfolio in accordance with its internal guidelines and procedures.</p> <p>Recoveries mean each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of a Loss for which a valid Payment Demand has been sent to EIF. Recoveries shall be shared between the Financial Intermediary and the EIF pro rata to the Guarantee Rate. The EIF's claims will rank pari-passu with the Financial Intermediary's claims with regard to any Loss Recoveries.</p> <p>Alternatively, an ex-ante recovery rate may be determined and applied to any covered Losses in the portfolio. In this case, any payment made by the EIF following a call of the Guarantee will be made net of such ex-ante recovery rate (i.e. there will not be any subsequent adjustment based on actual recoveries).</p>
Reporting	<p>Financial Intermediaries shall provide EIF within 30 calendar days after the end of each calendar quarter (the "Report Date") with quarterly information in a standardized form, including among others, information on the Final Recipient Transactions included in the Portfolio and Final Recipients (the "Report").</p> <p>An indicative quarterly report template is attached in the Annex 2 of this document. Other reporting may be required from the Financial Intermediary as per specific schedule to the Guarantee Agreement.</p>
Other information	<p>Financial Intermediaries may also be requested to provide, from time to time, further information related to the SMEs covered by the Guarantee in the context of programme evaluations and employment and growth reports. This information is required by the European Commission for reporting purposes and will be used for evaluating the COSME Programme. The European Commission requests will be coordinated by EIF. Any request of additional information will be within the context of the COSME</p>

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	<p>Programme legal base and will follow the principle of proportionality.</p> <p>Programme evaluations: The European Commission is obliged to carry out two evaluations of the COSME Programme: an interim evaluation by 2018 at the latest and a final COSME Programme evaluation. In the context of these evaluations actors involved in the COSME Programme (in the case of the guarantees this could be Financial Intermediaries and Final Recipients) will have to be contacted/interviewed on a sample basis (either by the Commission itself or by a contractor acting on behalf of the Commission) and it shall be an obligation for the Financial Intermediary and the Final Recipients, in case they are sampled for participation in the information gathering exercise, to respond to these information requests.</p> <p>Employment and growth reports: One of the COSME Programme objectives is to contribute to the creation of employment. In order to track employment at the level of the final recipients, the EIF will have to establish employment reports per 31 December 2015, 31 December 2017 and 31 December 2019. In these reports the EIF shall compare the level of employment at the time when the final recipient received financing for the first time and compare it to the before-mentioned reporting dates. The reports will be established on a sampling base and it shall (i) be subject to applicable laws, including without limitation in relation to data protection and banking secrecy, and (ii) not be mandatory requirement nor constitute a condition precedent to the relevant Final Recipient Transaction or any eligibility criteria. Any failure to provide information shall not affect the Final Recipient Transaction granted or require the EIF or any Financial Intermediary to take any further steps. Neither the EIF nor the Financial Intermediary nor the Final Recipients or any of their employees, officers or agents shall be liable for the correctness of information or the completeness of data provided by the employment and growth report.</p>
State Aid	The COSME LGF is considered to be consistent with State aid rules.
Monitoring and Audit	Financial Intermediaries and the relevant Final Recipients covered by the Guarantee shall agree to allow and to provide access to documents and premises (in the case of Financial Intermediaries) related to the relevant Guarantee for the representatives of the European Commission, agents of the European Commission (including the European Anti-Fraud Office (OLAF)), the European Court of Auditors, the EIF, agents of the EIF, the EIB, any other European Union institution or European Union body which is entitled to verify the use of the Guarantee in the context of the COSME Programme and any other duly authorized bodies under applicable law to carry out audit or control activities. To that effect, the Financial Intermediaries shall also include appropriate provisions in each agreement with Final Recipients.
Compliance with Laws	<p>The Financial Intermediary shall comply in all respects with all laws and regulations (whether national laws and regulations or laws of the European Union, including those related to data protection) to which it may be subject and, the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the interests of, inter alia, the EIF, the European Commission or the EIB under the Guarantee Agreement.</p> <p>In addition, it shall include in its documentation with the Final Recipient (i) undertakings from the Final Recipient equivalent to those contained above and (ii) any representations, warranties and undertakings from the Final Recipient for the purpose of ensuring that each such Final Recipient Transaction shall comply at any relevant time with the Eligibility Criteria.</p>
Publicity	Financial Intermediaries, in line with applicable law, EC and the COSME Programme provisions, may carry out marketing and publicity campaigns - as specified in the

	<p>Counter-Guarantee Agreement - aimed at making the COSME LGF initiative known to the Final Recipients in the relevant region/country.</p> <p>In particular, the selected Financial Intermediary will be contractually required to:</p> <ul style="list-style-type: none"> a) Ensure that the information and promotional material of the product clearly point to the support provided by the EU through the COSME LGF; b) Promote the products offered under the EU COSME LGF through its website, including concrete information on how/where to apply and contact points for Final Recipients⁹; c) The Financial Intermediary shall explicitly inform Final Recipients that financing is made possible through the support of the LGF with the financial backing of the European Union under COSME Programme. Such information needs to be prominently included either in the contractual documentation and/or in an accompanying cover letter and it shall be duly acknowledged by the Final Recipient. <p>All documents concerning this Guarantee, including amongst others, Debt Financing applications, Final Recipient Transaction agreements, promotional material to the SMEs, etc. will contain a statement mentioning that the Final Recipient Transaction was made possible with the support of the EU COSME LGF provided under the COSME Programme. Appropriate text and logos are envisaged to be provided to the selected Financial Intermediary during the phase of contractual negotiations.</p> <p>Additionally, the Financial Intermediary shall provide EIF within the 24 months of start of the Availability Period with 2 case studies of Final Recipients having benefited of a Final Recipient Transaction by filling in and sending to EIF the Case Study template provided by EIF.</p>
Publication	<p>EIF shall publish annually on its website, no later than 30 June of each year, information on Financial Intermediaries and Final Recipients supported through the COSME Programme.</p> <p>The publication shall include the name, nature and purpose of the Financial Instrument and the following additional information:</p> <ul style="list-style-type: none"> i) for each Financial Intermediary the name and address of the Financial Intermediary with whom the EIF has signed a Guarantee Agreement, as well as an indication of the Guarantee Cap Amount in EUR or in a Tradable Currency, as the case may be. Furthermore, the list shall provide an indication of the type of financing that is being made available through the portfolios covered by the Guarantee. ii) a list of Final Recipients which receive financing that exceeds the thresholds of EUR 150,000¹⁰ (or non-euro equivalent), containing for each Final Recipient

⁹ The objective is to aggregate information from all Intermediaries in one single portal (<http://access2eufinance.ec.europa.eu/>) to ensure visibility of the European Union action and enable potential final recipients to identify participating Intermediaries of the COSME Programme.

¹⁰ If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under ii) above should be respected and calculated according to an FX mechanism that will be specified in the Guarantee Agreement.

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	<p>the name and address and country of establishment (in the case of natural persons the address shall be replaced by NUTS level 2 codes) and type of financing received under the COSME LGF.</p> <p>Any Financial Intermediary, or Final Recipient may, prior to receiving financial support under the COSME LGF, declare in writing (including by a representation in the relevant agreement) that the publication requirements set out above risks harming its commercial interests or risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union, on the basis of a written justification.</p>
Transfer	The Financial Intermediary shall not be entitled to transfer any or all of its rights and obligations under the Guarantee without the consent of the EIF.
Record keeping	The Financial Intermediary shall maintain or be able to produce all the documentation related to the implementation of the Guarantee Agreement for a period of seven (7) years following the Termination Date of the Guarantee Agreement.
Additional requirements	This Financial Instrument is funded by EU funds and it is therefore subject to certain regulations and requirements, some of which have already been presented in this document. It should be noted, however, that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all requirements will be provided to, and discussed with, the selected Financial Intermediary during the contractual negotiations process.

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Appendix 1

Reporting

PART A - A1 FINAL RECIPIENTS

A.1.1 Final Recipient ID	A.1.2 Name	A.1.3 Address	A.1.4 Postal Code	A.1.5 Place	A.1.6 Region (NUTS level 2)	A.1.7 Country	A.1.8 Date of establishment	A.1.9 Sector	A.1.10 Number of employees	A.1.11 Total turnover (EUR)	A.1.12 Total assets (EUR)	A.1.13 SME internal scoring/rating (Rating Class)	A.1.13.1 Financial Intermediary rating scale	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory, if applicable	Optional

PART A - A2 NEW FINAL RECIPIENT TRANSACTIONS

A.1.1 Final Recipient ID	A.2.1 Final Recipient Transaction ID	A.2.1.1 Final Recipient Transaction Type	A.2.2 Currency	A.2.3 Purpose	A.2.4 Principal amount	A.2.4.1 Purchase price	A.2.4.2 Down payment	A.2.5 Maturity (months)	A.2.6 Grace period (months)	A.2.7 Signature date
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

A.2.8 First disbursement date	A.2.9 First instalment date	A.2.10 Amortization profile	A.2.11 Payment frequency	A.2.12 Collateralisation Rate	A.2.13 Publication of Final Recipient	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory	Optional

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PART B - LIST OF INCLUDED FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	B.1	B.2	B.3
Final Recipient ID	Final Recipient Transaction ID	Cumulative disbursement	Outstanding principal amount	End of disbursement
Mandatory	Mandatory	Mandatory	Mandatory	(Y/N) Mandatory

PART D - REPAID FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	D.1
Final Recipient ID	Final Recipient Transaction ID	Repayment date
Mandatory	Mandatory	Mandatory

PART E - EXCLUDED FINAL RECIPIENT TRANSACTIONS

A.1.1	A.2.1	E.1	E.2
Final Recipient ID	Final Recipient Transaction ID	Event date	Event type
Mandatory	Mandatory	Mandatory	Mandatory

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**PART H-
CONVERTED
OPERATIONS**

H.1	A.1.1	A.2.1	A.2.2	A.2.4	A.2.5	A.2.6	H.2	A.2.11
Converted Final Recipient Transaction reference	Final Recipient	Final Recipient Transaction reference	Currency	Principal amount	Maturity (months)	Grace Period	Final Recipient Transaction conversion date	Payment frequency
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory