



REPUBLIC OF BULGARIA

Ministry of Economy

Indicative terms and conditions of the guarantee

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 subject to change and non-exhaustive.

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 European Investment Fund (EIF) and/or any other person to enter into one or more transaction(s). Any finance commitment by any of EIF can only be made, inter alia, after appropriate approval, conclusion of legal due diligence and finalisation of the required legal documentation. EIF does not act as adviser to you or owe you any fiduciary duty. EIF does not make any representations or warranties (whether explicitly or implicitly) with respect to the information contained in this document.

1. Overview of the Guarantee

The guarantee (the “Guarantee”) shall be issued by EIF (the “Guarantor”) for the benefit of the Financial Intermediary (“FI”). The Facility’s objective is to provide better access to finance for enterprises through capital relief and loss protection via the provision of a capped guarantee for portfolios of newly originated Transactions.

The FIs will benefit from a guarantee provided by EIF, on a Transaction-by-Transaction basis, covering defaults, at the guarantee rate (i.e. 80%), in respect of Transactions included in a Portfolio. The recoveries on the underlying debt instruments will be shared *pari passu* by the FI and the EIF in the same proportion as the default cover (i.e. 80%).

The FIs shall pass on the benefit of the guarantee to the underlying enterprises by improving collateral requirements and/or reducing, on the guaranteed portion of each Transaction, the standard credit risk premium normally charged.

The FI will manage and service the Portfolio in accordance with their standard credit and collection policy applicable to their Transaction book.

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2. Indicative Terms and Conditions of the Guarantee	
Guarantee	The guarantee issued by EIF for the benefit of FIs is a capped, unconditional and irrevocable financial guarantee covering, at the Guarantee Rate, Covered Amounts in respect of Transactions included in a set Portfolio.
Guarantee Agreement	The agreement entered into between the Guarantor and a Financial Intermediary setting out the terms and conditions of the Guarantee.
Guarantor	The European Investment Fund (EIF)
Financial Intermediary (FI)	Financial or credit institution duly authorised to carry out lending or trade receivables related activities (including factoring) or providing bank guarantees according to the applicable legislation in Bulgaria. Such institution shall comply with relevant standards and applicable legislation on the prevention of money laundering and the fight against terrorism and tax fraud to which it may be subject, and shall not be established in a Non-Compliant Jurisdiction.
Guarantee Rate	80% on each Transaction.
Guarantee Fee	No Guarantee Fee.
Guarantee Cap Rate	The Guarantee Cap Rate shall be determined by the Guarantor on a case-by-case basis and shall not exceed 25%.
Guarantee Cap Amount	For each Guarantee, the maximum aggregate net amount which the Guarantor may be liable to pay under the Guarantee and calculated at any relevant time, as the product of: (a) the lowest of (i) the Agreed Portfolio Volume and (ii) the Actual Portfolio Exposure Volume (as evidenced in the last Report received by the Guarantor prior to any such calculation); (a) the Guarantee Rate; and (b) the Guarantee Cap Rate.
FI Risk Retention	The FIs shall undertake to maintain a minimum 20% risk retention on each Transaction at all times.
Covered Amounts	(a) Any principal (corresponding, in the case of Letters of Credit, to any Letter of Credit Amount and, in the case of Bank Guarantees, to any Bank Guarantee Amount, paid by the FI to the relevant beneficiary or Final Recipient, as applicable) and/or interest amounts (excluding (i) late payment or default interest, capitalised interest, fees and other costs and expenses, (ii) in the case of Debt Transactions, principal amounts exceeding the relevant

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	<p>credit limit amount and any interest amounts which accrued thereon, and (iii) any interest amounts which accrued after a period of 90 days from the last payment past due) due, payable and outstanding at such time (or, in the case of a Transaction subject to a Transaction Default, which would be due if that Transaction were accelerated at such time on the assumption that an event of default had occurred at such time) following the occurrence of either a Transaction Default or a Transaction Acceleration; and</p> <p>(b) Any reduction in principal and/or interest amounts (excluding late payment, default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days from the last payment past due) as a result of a Transaction Restructuring.</p> <p>The Guarantee does not cover Covered Amounts in excess of the Guarantee Cap Amount.</p>
Transaction Default	<p>means that (i) the FI considers at any time (acting reasonably in accordance with its internal procedures) that the Final Recipient is unlikely to meet its payment obligations under a Transaction (without recourse by the FI to actions such as realisation of security); (ii) a Beneficiary has failed to meet a payment obligation for at least 90 consecutive calendar days under a Transaction; or (iii) with respect to Letters of Credit or Bank Guarantees where the FI, under a Transaction, paid a Letter of Credit Amount or a Bank Guarantee Amount to the Final Recipient (as the beneficiary of such Letter of Credit or Bank Guarantee) and the FI should have received as a result payment from a third party, such third party has failed to meet said payment obligation and such failure has continued for at least ninety (90) consecutive calendar days.</p>
Transaction Acceleration	<p>means the occurrence of an event of default (howsoever defined) under a Transaction which has entitled the FI to accelerate payment of any amounts owed to it and the FI 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).</p>
Transaction Restructuring	<p>means that the FI acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of a eligible Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant Final Recipient or the relevant third party (in case of Bank Guarantees and Letters of Credit covering an amount owed by a third party to the relevant Final Recipient), is reduced, in order to improve the collectability of the claims arising from the relevant Transaction.</p>

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<p>Payment Demands</p>	<p>The Guarantor shall pay any amounts claimed by the FI within 60 calendar days of the relevant Payment Demand date</p> <p>Payment Demands shall be:</p> <ul style="list-style-type: none"> a) in respect of Covered Amounts relating to Transactions included in the Portfolio, such Covered Amounts having been reported to the Guarantor by not later than the third Report Date following the calendar quarter in which such Covered Amount have been incurred; b) sent during a specific period as further specified in the Guarantee Agreement.
<p>Recoveries</p>	<p>Recovery means each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the FI, including by way of set-off, in respect of Covered Amounts, with the exception of any amounts received by the FI in accordance with the terms of a separate guarantee agreement with a guarantee institution. For the avoidance of doubts, Financial Intermediaries shall respect the FI Risk Retention at all times.</p> <p>All Recoveries shall be shared <i>pari passu</i> between the Guarantor and the FI, in the same proportion of the Guarantee Rate (i.e. 80%).</p> <p>The FI shall send to the Guarantor at any relevant time, but not later than 30 days after the end of each calendar quarter a recovery notice with accompanying recoveries schedule and shall pay to the Guarantor any relevant amount, within three months of the end of each calendar quarter in which Recoveries are recovered or received by the FI.</p>
<p>Currency of the Transactions and FX mechanism</p>	<p>All amounts referred to and payments made under the Guarantee Agreement by and to the EIF shall be in euro.</p> <p>The FI may include in the Portfolio Transactions denominated either in Euro, Bulgarian lev, and USD. With respect to the Bulgarian lev and USD denominated transactions, the following currency conversion mechanism, as may be further detailed in the Guarantee Agreement, shall apply:</p> <ul style="list-style-type: none"> (i) Inclusions: for the purposes of determining the Portfolio Volume, the principal amount of Transactions denominated in Bulgarian lev or in USD shall be converted into Euro using (i) in the case of Bulgarian lev, the official fixed Euro exchange rate established under Bulgaria’s currency board, and (ii) in the case of USD, the relevant foreign exchange rate displayed by the European Central Bank (“ECB”) on its website (www.ecb.int) on the effective date of the Guarantee Agreement; (ii) Covered Amounts: payments made by the EIF to the FI in respect of a Covered Amount shall be calculated by converting the Covered Amounts denominated in Bulgarian lev or USD into Euro using, (i) in the case of Bulgarian lev, the official fixed Euro exchange rate established under Bulgaria’s currency board, and (ii) in the case of USD, the relevant foreign exchange rate displayed by the ECB on its website not earlier than four business days prior to the date of payment;

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	<p>(iii) Recoveries: Recoveries paid by the FI to the EIF shall be calculated by converting the Recoveries denominated in Bulgarian lev or USD into Euro using (i) in the case of Bulgarian lev, the official fixed Euro exchange rate established under Bulgaria’s currency board, and (ii) in the case of USD, the relevant foreign exchange rate displayed by the ECB on its website not earlier than four business days prior to the date of payment.</p>
State aid	<p>The FI shall ensure, in respect of the Transactions included in the Portfolio, compliance with applicable State aid rules which is envisaged to be based on the de minimis Regulation. For such purpose and before entering into a Transaction, the FI shall calculate the Transaction’s Gross Grant Equivalent (GGE) in accordance with art. 4, par. 6(b) or 6(c) of the de minimis Regulation, ensure that, including the GGE of the Transaction, the total GGE received by the Final Recipient over the relevant timeframe is not higher than the relevant threshold set out in Article 2 of the de minimis Regulation, and report the GGE of individual Transactions to EIF.</p> <p>The rules for cumulating of the aid shall apply in accordance with Articles 3 and 5 of the de minimis Regulation.</p> <p>The Bulgarian Ministry of Economy will provide further instructions on compliance with the above-mentioned state aid regime, in the form of separate guidelines (“State-aid and Reporting Guidelines”).</p>
De minimis Regulation	<p>Means Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.</p>
Trigger Event	<p>Means any of a Cumulative Default Rate Trigger Event or a Portfolio Trigger Event, as determined in the Guarantee Agreement.</p> <p>A Cumulative Default Rate Trigger Event occurs if, on one or more specified date(s) during the Inclusion Period, the aggregate outstanding principal amount of defaulted Transactions exceeds a predetermined level.</p> <p>A Portfolio Trigger Event occurs if, on one or more specified dates during the Inclusion Period, the Actual Portfolio Exposure Volume not reach a predetermined level.</p>
Guarantee Events Termination	<p>The Guarantee Agreement will set out standard events of default, including non-payment of amounts due under the Guarantee Agreement, breach of obligation, insolvency, unlawfulness and misrepresentation.</p> <p>The occurrence of an event of default, if not remedied within the relevant grace period (if any) may result in the termination of the Guarantee Agreement (such event, an “Early Termination”). Upon Early Termination all amounts due by the EIF and/or the Financial</p>

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	Intermediary would be calculated in accordance with the terms of the Guarantee Agreement.
Termination Date	The Guarantee Agreement shall terminate on the earlier of: (a) six (6) months following the latest Transaction maturity date; (b) the Early Termination date; (c) the date (if any) on which the Guarantor is no longer liable to effect further payments to the FI and the Guarantor has no further claims against the FI under the Guarantee Agreement; and (d) <u>31 December 2025</u> .
<u>3. The Portfolio</u>	
Actual Portfolio Volume	The aggregate principal amount committed under Transactions entered into by the FI and included in the Portfolio for cover by the Guarantor, provided that, for the avoidance of doubt: i) if amounts committed under a Transaction are reduced (including, for the avoidance of doubt, as a consequence of such Transaction having expired or matured), then this shall reduce the Actual Portfolio Volume; ii) if a Transaction becomes a non-performing Transaction, any Covered Amounts (net of any Recoveries) shall be taken into account in the calculation of the Actual Portfolio Volume; iii) if a Transaction is excluded from the portfolio as a part of the Exclusion Process, then such Transaction shall not be taken into account in the calculation of the Actual Portfolio Volume; and iv) the Actual Portfolio Volume may in no circumstances exceed the Agreed Portfolio Volume. EIF will require that the target portfolio be granular. No replenishment of the Portfolio is envisaged after the end of the Inclusion Period.
Maximum Portfolio Volume	The maximum amount that the Agreed Portfolio Volume can reach, as set out in the Guarantee Agreement.
Agreed Portfolio Volume	The maximum principal amount committed under Transactions that can be included in the Portfolio, expressed as a percentage of the Maximum Portfolio Volume in the Guarantee Agreement. The Agreed Portfolio Volume may be (i) decreased by agreement between the EIF and the Financial Intermediary or (ii) increased by the EIF pursuant to an Agreed Portfolio Volume increase notice depending on successful ramp-up of the Portfolio by the Financial Intermediary.
Actual Portfolio Exposure Volume	The sum of (a) for all Transactions that have expired or matured or are non-performing Transactions as of that date, an amount equal to the total maximum principal amount of exposure (i.e., maximum amounts actually issued under Bank Guarantees

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	<p>and Letters of Credit and maximum amounts actually disbursed under the working capital component of Debt Transactions) achieved under such Transactions, and</p> <p>(b) for all Transactions that have neither expired nor matured nor are non-performing Transactions as of such date, an amount equal to the total maximum amount of principal committed under such Transactions,</p> <p>provided that, for the avoidance of doubt, any amounts in respect of Transactions that were excluded from the Portfolio shall not be taken into account for the purpose of calculating the Actual Portfolio Exposure Volume.</p>
Inclusion Period	<p>The period during which Transactions may be included in the Portfolio by the FI.</p> <p>Such period shall typically last between 18 and 36 months (unless terminated earlier because of a Trigger Event).</p> <p>Inclusions occur automatically upon receipt by EIF of an inclusion notice submitted by the FI on a quarterly basis, and the Transactions are deemed to be covered from their respective effective date.</p> <p>During the Inclusion Period the FI may include new Transactions in the Portfolio to replenish the volumes of expired Transactions up to the Agreed Portfolio Volume.</p>
Final Recipient	SMEs and Small Mid-Caps, which comply with all relevant Eligibility Criteria.
SME	Any micro, small or medium-sized enterprise as defined in the Commission Recommendation.
Small Mid-Caps	An enterprise within the meaning of Article 1 of the Title I of the Annex of the Commission Recommendation which is not an SME and has up to 499 employees calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation, the annual turnover of which does not exceed EUR 100 million or the annual balance sheet of which does not exceed EUR 86 million.
Commission Recommendation	The Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises (OJ L124, 20.05.2003, p.36), as amended, restated, supplemented and/or substituted from time to time.
Transactions	<p>Bank Guarantees, Letters of Credit and Debt Transactions entered into during the Inclusion Period, and complying with all relevant Eligibility Criteria.</p> <p>Subject to the terms to be set out in the Guarantee Agreement, the Guarantee may, at the EIF's discretion, also cover Trade Receivables Transactions (including factoring). In such case other</p>

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	definitions and guarantee mechanisms might be adapted accordingly.
Debt Transaction	Revolving credit lines entered into for the purpose of issuing Bank Guarantees and/or Letters of Credit and all types of working capital financing (excluding credit cards and including overdrafts).
Letter of Credit	An irrevocable undertaking of the FI, issued upon request of the Final Recipient, to effect payment in favour of (a) a third party as the beneficiary of the Letter of Credit, where such Letter of Credit is covering an amount owed by the Final Recipient, or (b) the Final Recipient as the beneficiary of the Letter of Credit, where such Letter of Credit is covering an amount owed by a third party to the Final Recipient, against presentation of complying documents required by the Letter of Credit within the specified time limits in accordance with the terms of such Letter of Credit.
Letter of Credit Amount	The amounts committed by the FI under a Letter of Credit.
Bank Guarantee	An irrevocable obligation by the Intermediary to pay a specified amount to (a) a third party as the beneficiary of the Bank Guarantee, where such Bank Guarantee is guaranteeing an amount owed by or an obligation of the Final Recipient or one of its subsidiaries to such third party), or (b) the Final Recipient as the beneficiary of the Bank Guarantee, where such Bank Guarantee is guaranteeing an amount owed by or an obligation of a third party to the Final Recipient, if such third party or the Final Recipient (as applicable) declares non-fulfilment of the relevant contractual obligations in accordance with the terms of such Bank Guarantee.
Bank Guarantee Amount	The amount guaranteed by the FI under a Bank Guarantee.
Trade Receivables Transaction	A financial transaction between a FI and a Final Recipient, whereas the FI buys a defined pool of trade receivables from the Final Recipient, typically at a discount and the FI should receive as a result payment from the Final Recipient or a third party (as applicable).
Eligibility Criteria	Final Recipients, Transactions and the Portfolio, as relevant, will have to comply with a set of Eligibility Criteria set out in Appendix A to this indicative term sheet. Additional criteria may be set out on a case-by-case basis. A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Transaction from the Portfolio, save as specified in the "Exclusion Process".

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Excluded Final Recipients and Restricted Sectors	Final Recipients which are classified according to the criteria set out in Appendix B or are active (as further specified) in one of the sectors listed in Appendix B are not eligible to enter into Transactions covered by the Guarantee.
Exclusion Process	<p>If a Transaction which has been included in the Portfolio does not comply with relevant Eligibility Criteria, it shall be excluded from the Portfolio (and shall not be covered by the Guarantee).</p> <p>However, if a Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI and 2) after a Payment Demand relating to such Transaction was served by the FI to the Guarantor such Transaction shall remain covered by the Guarantee.</p> <p>Similarly, if a Transaction is or becomes non-eligible 1) as a result of any event or circumstance beyond the control of the FI but 2) before a Payment Demand relating to such Transaction was served by the FI to the Guarantor, then such Transaction shall remain covered by the Guarantee if the FI accelerated payment of all amounts owed to it under such Transaction no later than on the Report Date immediately following the date on which it became aware of the same. However, if the FI does not accelerate such Transaction within the timeframe specified above then the relevant Transaction shall be excluded from the Portfolio and shall be deemed never to have been covered by the Guarantee.</p> <p>The Actual Portfolio Volume shall be adjusted following an exclusion from the Portfolio by deducting the aggregate committed principal amount of the Transactions excluded.</p> <p>If the Actual Portfolio Volume is adjusted pursuant to this section, the FI may include one or more further Transactions in the Portfolio to extent that the Actual Portfolio Volume does not exceed the Maximum Portfolio Volume and provided that such inclusions are made until the end of the Inclusion Period.</p>
Transfer of Benefit	<p>The FI shall pass on the benefit of the Guarantee to the underlying Final Recipients by reducing collateral requirements or the interest rate or fees normally charged to the Final Recipients. The mechanism of transfer of benefit shall be documented accordingly in the Guarantee Agreement.</p> <p>The FI shall undertake that amendments or changes to its credit policy from time to time shall in no circumstances adversely affect the mechanism of Transfer of Benefit to the Final Recipients under the relevant Transaction.</p>
Servicing and Recoveries	<p>The FI shall perform the servicing of the Portfolio, including monitoring and recovery actions, in accordance with its credit and collection policy.</p> <p>The FI shall take recovery actions (including the enforcement of any security) in relation to each defaulted Transaction in accordance with its credit and collection policy.</p>

4. Miscellaneous	
Reporting	The FI shall provide the Guarantor within [30] calendar days ¹ after the end of each calendar quarter (the "Report Date") with quarterly information in a standardised form (see Appendix C), including among others, information on the Final Recipient covered by the Guarantee, Transaction entered into and relevant amounts outstanding.
Monitoring and Audits	FIs and Final Recipients whose Transactions are covered by the Guarantee shall agree to allow and to provide access to information, documents and premises related to the Guarantee to the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the Bulgarian/European Court of Auditors, EIF, agents of EIF, EIB, the Ministry of Economy, and any other national/European Union institution or national/European Union body which is entitled to verify the use of the Guarantee and any other duly authorized bodies under applicable law to carry out audit or control activities. To that effect, the FI shall also include appropriate provisions in this respect in each Transaction agreement.
Compliance with Laws	<p>FIs shall comply in all respects with all laws and regulations (whether national laws and regulations or laws and regulations of the European Union) to which it may be subject, the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the interests of the Government of Bulgaria and EIF under the Guarantee Agreement.</p> <p>The FI shall include in the documentation evidencing the Transaction:</p> <p>(x) undertakings from the Final Recipients equivalent to those contained above and</p> <p>(y) any representations, warranties and undertakings from the Final Recipients for the purpose of ensuring that each Transaction included in the Portfolio shall comply at any relevant time with the Eligibility Criteria.</p> <p>The FI shall undertake, and shall procure that each Final Recipient undertakes, to (i) at all times comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud and (ii) not (other than as a result only of events or circumstances beyond the control of the Intermediary or the Final Recipient, as applicable) be established in a Non-Compliant Jurisdiction, unless in case of NCJ Implementation.</p>
Non-Compliant Jurisdiction	Means a jurisdiction

¹ [FIs shall provide the Guarantor with such information within 20 calendar days with respect to information related to the last calendar quarter of each year.]

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	<ul style="list-style-type: none"> (i) listed in the Annex I of the Council of the European Union conclusions on the revised European Union list of non-cooperative jurisdictions for tax purposes, adopted by the Council of the European Union at its meeting held on 12 March 2019, and/or (ii) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies, and/or ((iii) rated as “partially compliant”, “provisionally partially compliant” or “non-compliant” by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax Purposes and/or (iv) included in the Financial Action Task Force “Public Statement” (i.e. countries or jurisdictions with such serious strategic deficiencies that the Financial Action Task Force calls on its members and non-members to apply counter-measures or for which the Financial Action Task Force calls on its members to apply enhanced due diligence measures), and/or (v) included in the Financial Action Task Force statement “Improving Global AML/CFT Compliance: On-Going process”(i.e. countries or jurisdictions with strategic weaknesses in their AML/CFT measures but that have provided a high-level commitment to an action plan developed with the Financial Action Task Force), <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.</p>
<p>NCJ Implementation</p>	<p>means that the Final Recipient is established and operating in the country of establishment of the Intermediary and that there is no indication that the relevant Final Recipient Transaction supports actions that contribute to (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion) and (ii) artificial arrangements aimed at tax avoidance.</p>
<p>EIF Anti-Fraud Policy</p>	<p>The Intermediary acknowledges the Anti-Fraud Policy which sets out the policy of the EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing and undertakes to take appropriate measures to (i) facilitate the implementation of such policy and (ii) support investigations performed by the EIF or the EIB, acting on behalf of the EIF, the OLAF, the European Public Prosecutor’s Office (EPPO), the ECA, or any other relevant EU institution or body in connection with actual or suspected prohibited conduct. The Intermediary further acknowledges that the Guarantor may notify it of any amendments thereof and in such case(s), following such notification(s), the Parties will consult with each other in order to investigate whether the Intermediary is in the position to undertake</p>

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		the same obligation as above in respect of the amended Anti-Fraud Policy
Data Protection Statement		Means the EIF statement on the processing operations of Applicants and Financial Intermediaries' personal data, as published on the EIF's website.
Publicity		<p>FIs shall carry out adequate information, marketing and publicity campaigns, including through their website or alternative ways of communication to achieve equivalent visibility, aimed at making the Facility known to enterprises in Bulgaria.</p> <p>FIs shall ensure that the Transaction agreements, promotional material, press releases and any publication on their website or alternative ways of communication to achieve equivalent visibility pertaining to the Facility contains a statement that the "(..) <i>transaction benefits from support from Bulgarian national and EU public resources pursuant to the Documentary Finance Facility.</i>"</p>
Governing Language	Law and	The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of Luxembourg.

APPENDIX A
ELIGIBILITY CRITERIA

Each Transaction included in a Portfolio shall comply with the Final Recipient Eligibility Criteria and the Transaction Eligibility Criteria, as set out below, and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement.

It should be noted that the Eligibility Criteria might be adapted during the implementation of the Facility in order to cater for relevant market developments and legislative changes. In any case, any such change will not affect eligibility of Transactions already included in the Portfolio and will be subject to the agreement of the parties.

The Eligibility Criteria shall be met at all times, except the Final Recipient Eligibility Criteria and some of the Transaction Eligibility Criteria, which shall be met on the signing date of the document(s) evidencing the relevant Transaction (or where specifically indicated, on the date of the Final Recipient's application for a Transaction). For each additional Eligibility Criteria, if any, the specific terms of the relevant Guarantee Agreement shall indicate whether or not it shall be met at all times.

A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Transaction(s) from the Portfolio save as specified in the "**Exclusion Process**".

A. Eligibility Criteria for Final Recipients

	Eligibility Criteria for Final Recipients	Application
1	The Final Recipient shall be a SME or a Small Mid-Cap.	Signing Date
2	The Final Recipient shall be established and operating in the Republic of Bulgaria under the Bulgarian Commercial Act (Търговски закон), promulgated in State Gazette, Issue No 48/18.06.1991 (as amended and supplemented) or the Co-operations Act (Закон за кооперациите) promulgated in State Gazette, Issue No. 113/28.12.1999 (as amended and supplemented) and/or under equivalent laws of any European Union Member State.	Signing date
3	The Final Recipient shall not be established in a Non-Compliant Jurisdiction, unless in case of NCJ Implementation.	Signing date
4	In case of undertakings which are not SMEs, the Final Recipient shall be in a situation comparable to a credit rating of at least B-.	Signing date

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5	The Final Recipient is not subject to collective insolvency proceedings nor does it fulfil the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors. ²	Signing date
6	The Final Recipient does not have a substantial focus on one or more Restricted Sectors (which determination shall be made by the 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).	Signing date

Section B - Eligibility Criteria for Transactions

	<u>Eligibility Criteria for Transactions</u>	Application
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² Specific instructions for the applicable eligibility rules for Final Recipients in respect to compliance with the State aid regime will be provided in the form of separate guidelines by the Ministry of Economy to the Financial Intermediaries

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1	<p>The Transaction shall be newly originated</p> <p>For the avoidance of doubt, Transactions may include re-financing of existing debt financing that have not reached legal maturity. Such re-financing may not exceed 30% of the Transaction's amount, and shall be subject to the following conditions:</p> <p>a) re-financing shall not be allowed for debt transactions which are (i) more than sixty (60) days past due or (ii) in non-performing loan or default status within applicable national banking rules;</p> <p>b) a Transaction that includes re-financing shall be subject to a new credit assessment by the FI and its financial sustainability shall be verified (including, if applicable, collateral revaluation);</p> <p>c) the Transaction after re-financing shall benefit from lower interest rates compared to the interest rate applied to the initial debt financing; and</p> <p>d) the collateral arrangements under the Transaction shall not be stricter than as applied to the re-financed debt financing.</p>	Signing date
2	The Transaction shall be in the form of a Debt Transaction, a Bank Guarantee, a Letter of Credit, or, potentially, a Trade Receivables Transaction.	Continuing
3	The Transaction shall comply with the terms of the Guarantee Agreement relating to the Transfer of Benefit.	Continuing
4	<p>The Transaction's maturity shall not exceed five (5) years (rounded down to the nearest calendar quarter), or such other period as specified in the relevant Guarantee Agreement following EIF's risk assessment, including the relevant grace period if any.</p> <p>In case of The Debt Transaction that do not cover the issuing of Letters of Credit or Bank Guarantees, shall not have a minimum maturity less than six (6) months, or such other period as specified in the relevant Guarantee Agreement following EIF's risk assessment, including in each case the relevant grace period, if any.</p>	Continuing
5	The Transaction shall be denominated in Euro, Bulgarian Lev or USD.	Continuing
6	The amount committed by the FI under each Transaction shall not exceed EUR [3] million, or any other amount as specified in the Guarantee Agreement following EIF's risk assessment.	Continuing

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7	The amount committed by the Intermediary under the Transaction shall comply with State Aid rules.	Signing Date and on each date on which one of the parameters used for the calculation of the maximum principal threshold amount and/or GGE is changed
8	The Transaction shall not finance activities linked to manufacture, wholesale and retail trade of fossil fuels and derivatives (including but not limited to refined petroleum products).	Continuing
9	The Transaction must not be affected by fraud.	Continuing
10	The Transaction shall not be used to pre-finance grants.	Continuing
11	The Transaction shall not finance activities mentioned in Article 1 (Scope) and in Article 3(2), second paragraph of the De Minimis Regulation	Continuing

Section C - Eligibility Criteria for the Portfolio

The Guarantee Agreement may specify a maximum percentage or amount of the Portfolio that can consist of Debt transactions that do not cover issuing of Letters of Credit, Bank Guarantees or Trade Receivable Transactions.

Additional portfolio criteria may apply in accordance with the terms of the Guarantee Agreement following EIF's risk assessment.

APPENDIX B
EXCLUDED FINAL RECIPIENTS AND RESTRICTED SECTORS

1. **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 ("**Illegal Economic Activity**").
Human cloning for reproduction purposes is considered an Illegal Economic Activity.
2. **Tobacco and Distilled Alcoholic Beverages**
The production of and trade in tobacco and distilled alcoholic beverages and related products.
3. **Production of and Trade in Weapons and Ammunition**
The financing of the production of and trade in weapons and ammunition of any kind. This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies.
4. **Casinos**
Casinos and equivalent enterprises.
5. **IT Sector Restrictions**
Research, development or technical applications relating to electronic data programs or solutions, which:
 - (a) aim specifically at:
 - (i) supporting any activity included in the Restricted Sectors referred to under 1. to 4. (inclusive) above;
 - (ii) internet gambling and online casinos; or
 - (iii) pornography,or which:
 - (b) are intended to enable to illegally:
 - (i) enter into electronic data networks; or
 - (ii) download electronic data.
6. **Life Science Sector Restrictions**
When providing support to the financing of the research, development or technical applications relating to
 - (a) human cloning for research or therapeutic purposes; or
 - (b) Genetically Modified Organisms ("**GMOs**"),the Transaction Agent will require from the 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.

The binding list of Restricted Sectors shall be set in the Guarantee Agreement.

APPENDIX C
INDICATIVE REPORTING TEMPLATE
[To be reviewed]

table A1 - Final Recipients

A.1.1.	A.1.2.	A.1.2.	A.1.3.	A.1.3.	A.1.4.	A.1.5.	A.1.5.	A.1.6.	A.1.7.	A.1.8.	A.1.9.	A.1.10.	A.1.11.	A.1.12.	A.1.13.	
Fiscal number	Final Recipient name	Наименование (на кирилица)	Address	Адрес (на кирилица)	Postal Code	Place	Населено място (на кирилица)	Region (NUTS lev2)	Country	Date of establishment	Sector (NACE code Class Level)	Number of employees at date of Transaction	Total turnover	Total Assets	Is the Final Recipient part of a group?	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

table A2 - New transactions

A.1.1.	A.2.1.	A.2.2.	A.2.3.	A.2.4.	A.2.5.	A.2.6.	A.2.7.	A.2.8.	A.2.9.	A.2.10.	A.2.11.	A.2.12.	A.2.13.	A.2.14.	A.2.15.	
Fiscal number	Transaction reference	Transaction type	Transaction Sector (NACE code Class level)	Transaction currency	Transaction principal amount	Transaction Maturity (months)	Transaction signature date	Reference Rate	Interest Rate / Margin	Periodic Fees	Relevant period for fee / interest rate calculation (as applicable)	One off fee	Gross Grant Equivalent amount	Value of Collateral	Main type of collateral	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if appli	Mandatory, if applica	Mandatory, if appli	Mandatory, if applicable	Mandatory, if applicab	Mandatory	Mandatory	Mandatory	Mandatory

table A3 - New sub-transactions - Factoring without Recourse

A.1.1.	A.2.1.	A.3.1.	A.3.2.	A.3.3.
Fiscal number	Transaction reference	Invoice reference	Invoice amount	Sub-Transaction amount
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

table B - Included transactions

A.1.1.	A.2.1.	B.1.1	B.1.2	B.3	B.4	B.5
Fiscal number	Transaction reference	Final Recipient rating/scoring	Final Recipient rating model used	Defaulted Final Recipient Transaction (Y/N)	Event date / Date of Defaulted Final Recipient Transaction	Maximum exposure
Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory	Mandatory	Mandatory

table D - Expired/repaid transactions

A.1.1.	A.2.1.	D.1.
Fiscal number	Transaction reference	Transaction expired (Y/N)

PART E - EXCLUDED TRANSACTIONS

A.1.1.	A.2.1.	E1.	E2.
Fiscal number	Transaction reference	Exclusion date	Type

table F - Modifications A1

A.1.1.	A.1.7.	xxx
Fiscal number	Country	Reference field name with NEW value
<i>Mandatory</i>	<i>Mandatory</i>	<i>Optional</i>

table F - Modifications A2

A.1.1.	A.2.1.	A.2.5.	A.2.6.	F.1.	F.2.1	F.2.2	xxx
Fiscal number	Transaction reference	New transaction principal amount	New traction Maturity	Modification signature date	Additional Gross Grant Equivalent amount (in transaction currency)	Additional Gross Grant Equivalent amount (in local currency)	Reference field name with NEW value
<i>Mandatory</i>	<i>Mandatory</i>	<i>Optional</i>	<i>Optional</i>	<i>Mandatory</i>	<i>Optional</i>	<i>Optional</i>	<i>Optional</i>

table PD - Payment demand

A.1.1. Fiscal number	A.2.1. Transaction reference	A.3.1. Invoice reference	A.2.4. Transaction Currency	C.1. Event date	C.2. Event type	C.3. Loss amount in principal	C.4. Unpaid interest	C.7. Recovery amount
<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory, if applicable</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>

table LR - Loss recoveries

A.1.1.	A.2.1	A.3.1.	C.5. Recovery payment currency	C.6.	C.7.
Fiscal number	Transaction reference	Invoice reference	Recovery payment currency	Recovery Date	Recovery Amount
<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory, if applicable</i>	<i>Mandatory</i>	<i>Mandatory</i>	<i>Mandatory</i>

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