

Indicative Term Sheet

for the EGF Equity & Debt Funds Products

Product: Replacing Defaulting LPs facility (DLP)

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 the European Investment Fund (the EIF) (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.

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Annex III to the Open Call for Expression of Interest to select Financial Intermediaries under EGF

1. Definitions

Whenever used in these guidelines, the following terms shall have the meanings opposite them. Any capitalised items not defined in this Annex have the meaning given to them in the Open Call for Expression of Interest or as the case may be Annex Ia thereto.

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| EIF EGF Investment | Means a commitment in any form entered into by EIF under EGF to invest in a Financial Intermediary and/or replace a commitment from an existing investor of the Financial Intermediary, excluding any commitments made by EIF from other resources managed or advised by EIF, if any. |
| Financial Intermediary | Investment funds and special purpose vehicles, in any form, established or to be established, that undertake long term risk capital investments in the form of equity, preferred equity, quasi-equity, hybrid debt-equity instruments (or other type of mezzanine financing), or any other debt financing. |
| Excluded Final Recipient | Means an i) entity that cannot benefit directly or indirectly from financing supported by EGF as a result of the application of the Guidelines on the EIF Restricted Sectors ¹ as amended from time to time or ii) a large corporate with more than 3000 full-time equivalent employees. |
| Target Final Recipient | A Final Recipient that is at the time of first financing by the Financial Intermediary: i) an SME, Small Mid-Cap or Mid-cap and ii) not an Excluded Final Recipient. |
| Final Recipients | Means an entity benefiting directly or indirectly (including inter alia through holding companies and, platforms and/or other funds and/or special purpose vehicles) from financing provided by the Financial Intermediary, which shall not be an Excluded Final Recipient. |
| SME | SME Means a micro, small or medium-sized enterprise as defined in Commission Recommendation 2003/361/EC (OJ L 124, 20.5.2003, p. 36), as amended from time to time. |
| Small Mid-Cap | Small Mid-Cap Means an entity with fewer than 500 full-time equivalent employees that is not an SME. |
| Targeted Activities | Mean (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion); and (ii) tax avoidance practices. |
| Mid-Cap | Mid-Cap Means an entity with fewer than 3000 full-time equivalent employees that is not a SME, nor a Small Mid-Cap. |
| Follow-on Investment | A further investment in a Target Final Recipient already existing in the portfolio of the Main Financial Intermediary. |

¹ http://www.eif.org/news_centre/publications/2010_Guidelines_for_Restricted_Sectors.htm.

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| Fund Agreement | Means, but is not limited to, the agreement whereby the EIF commits to invest under EGF in, or alongside, a Financial Intermediary. |
| Minimum Allocation | A Financial Intermediary receiving EIF EGF Investment shall make direct or indirect investments in Target Final Recipients, and shall have invested or expect to invest at least the aggregate amount drawn down from the EIF EGF Investment for the purpose of investment directly or indirectly into Target Final Recipients operating in Participating Member States. |
| Non-Compliant Jurisdiction (“NCJ”) | <p>Includes jurisdictions</p> <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 18 February 2020, 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), and/or (vi) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards, and/or <p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time.</p> <p>Where the relevant support is not reserved for operations, projects or activities implemented in the same jurisdiction where the concerned Applicant is incorporated, the Applicant shall not be incorporated in or invest through a Non-Compliant Jurisdiction.</p> |

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| | Please refer to the EIB's website ² for the most updated reference lists of Non-Compliant Jurisdictions or enquire with EIF for confirmation of Non-Compliant Jurisdiction status. |
| Participating Member States | Means the EU Member States that have individually entered into a contribution agreement with the EIB as required to formalise their adherence to EGF. Please refer to the following link for the list of Participating Member States (Annex X). |

1. Terms and objectives of EIF EGF Investment

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| Policy rationale and strategic objective | <p>As a result of COVID-19, the likelihood of investors in venture capital and/or private equity Financial Intermediaries not honouring capital calls because of liquidity constraints is rising. Investor defaults are expected to reduce availability of risk capital financing in Participating Member States. Through DLP, EIF shall address the risks associated with investors' defaults by:</p> <ul style="list-style-type: none"> • Replacing defaulting or likely to default distressed investors, thereby ensuring that Financial Intermediaries can complete the initially envisaged investment strategy in terms of number of portfolio companies (ensuring sufficient diversification and/or capacity to do Follow-on Investments) and in terms of adequate investment allocations; and • Providing a strong signalling effect to market participants (e.g. banking institutions providing credit facilities, managers of Financial Intermediaries considering calling "precautionary" capital calls), thereby further reducing pressure on liquidity. |
| Product Requirements | <p>DLP will be deployed primarily, but not exclusively, via Financial Intermediaries in EIF's portfolio.</p> <p>DLP will focus on defaulted or selectively distressed investors that may create damage to Financial Intermediary's shareholding structure and ultimate funding availability.</p> <p>EIF EGF Investments under DLP shall be originated with a view of continuing to provide meaningful risk-adjusted returns and in any case subject to respecting the Investor Base of the Financial Intermediary requirements.</p> |
| Targeted stage | <p>In terms of stage, the facility is expected to focus more prominently on Target Final Recipients in one or more of the stages listed below:</p> <p><input checked="" type="checkbox"/> Pre-seed / Seed</p> <p><input checked="" type="checkbox"/> Start-up</p> <p><input checked="" type="checkbox"/> Growth and expansion, including expansion through, when necessary, financing for acquisition of a business, replacement / transition capital for growth (excluding strategies intended for asset stripping).</p> |

² <https://www.eib.org/en/about/compliance/tax-good-governance/faq>

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| Duration of EIF EGF Investment | To ensure a timely wind down of EGF, the EIF will not approve any amendments in order to extend the term of the Financial Intermediary beyond December 2036. |
| Investor Base of the Financial Intermediary | <p>At least 30% of total commitments to Financial Intermediaries, excluding the EIF EGF Investment are made by independent private investment sources.</p> <p>In assessing compliance with the above requirements, the EIF may rely on a declaration, representation or undertaking from the Financial Intermediary.</p> |
| Approval Period | The EIF may approve EIF EGF Investment until 31 December 2021, unless otherwise extended by EGF governance body. |
| Requirements | <p>The EIF, through its due diligence process, shall strive to ensure that Financial intermediaries receiving EIF EGF Investment:</p> <ul style="list-style-type: none"> i. Shall not engage in activities incompatible with the Guidelines on the EIF Restricted Sectors; ii. Shall not use EIG EGF Investment for a participation in any Excluded Final Recipients; iii. Shall not be established in a NCJ unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities. The EIF will provide relevant arrangements in order for the Financial Intermediary to transpose this requirement at the level of the Final Recipients; iv. Shall undertake to comply with applicable European Union law and agreed international and European Union standards and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance. The EIF will provide relevant arrangements in order for the Financial Intermediaries to transpose this requirement at the level the Final Recipients; v. Shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing³ as amended from time to time, and shall take appropriate measures (as may be further specified in the relevant agreement) to (i) facilitate implementation of such policy as well as to (ii) undertake to support investigations performed by the EIF or the European Investment Bank, the EPPO, or the European AntiFraud (OLAF), or Court of Auditors (ECA) in connection with actual or suspected prohibited conduct. <p>The Minimum Allocation shall be ensured through the fund agreement.</p> |

³ Please refer to http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf

