

Capped Counter-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 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 (“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 Counter-Guarantee

Financial Intermediaries must comply with the COSME Enhanced Access to Finance (“**EAF**”) Eligibility Criteria with the purpose of ensuring that the Counter-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 counter-guarantee which shall be issued by EIF (the “**Counter-Guarantor**”) 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 the guarantees (“**Intermediary Transactions**”) provided by the Financial Intermediary covering eligible Debt Financing (“**Final Recipient Transactions**”) granted by Financial Sub-Intermediaries to SMEs included in the portfolio (the “**Portfolio**”). Intermediary Transactions shall be covered at a guarantee rate of up to 50% (the “**Counter-Guarantee Rate**”). For the purpose of alignment of interest, the Financial Intermediary will have to retain a minimum 20% exposure to the overall Portfolio guaranteed principal amount.

¹ See page 12 of this indicative term sheet.

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

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

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

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

The origination, due diligence, documentation and servicing of the Intermediary Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures. Intermediary Transactions (according to pre-defined eligibility criteria on a transaction-by-transaction and portfolio basis) 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). In parallel, the Financial Sub-Intermediary(ies) shall retain the direct client credit relationship with each Final Recipient (according to pre-defined eligibility criteria on a transaction-by-transaction and portfolio basis).

Complementarity with other financial instruments

- *Financial Instruments providing liquidity:* The Counter-Guarantees provided under the COSME LGF will provide partial credit risk protection for a portfolio of Intermediary Transactions. If Financial Intermediaries and/or Financial Sub-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, counter-guarantees issued under the COSME LGF 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 provided under the COSME LGF with an additional 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% of the outstanding global principal amount of the Intermediary Transactions included in the Portfolio.

Indicative terms of the Counter-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</p>	<p>First Loss Portfolio Counter-Guarantee providing partial credit risk coverage on a guarantee-by-guarantee basis for the creation of a portfolio of eligible Intermediary Transactions. The Counter-Guarantee, provided by EIF but financed by the European Union under the COSME Programme, shall cover Losses incurred by the Financial Intermediary at a Counter-Guarantee Rate which cannot exceed 50%. Losses covered by the Counter-Guarantee in respect of the Portfolio of eligible Intermediary Transactions shall in aggregate not exceed the Cap Amount stipulated in the counter-guarantee agreement (the “Counter-Guarantee Agreement”) between EIF and the relevant Financial Intermediary.</p> <p>The maximum term of the Counter-Guarantee will be 10 years. For the avoidance of doubt, Intermediary Transactions may have longer maturities.</p> <p>An indicative chart of the structure is set-out below :</p> <div data-bbox="526 1093 1417 1818" data-label="Diagram"> </div>
<p>Participating Countries</p>	<p>As at the date of amendment of this Call of Expression of Interest, the countries covered by the COSME Programme comprise the EU Member States, Iceland, Montenegro, Turkey, the former Yugoslav Republic of Macedonia (FYROM),</p>

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	Albania, Serbia, Bosnia and Herzegovina and Kosovo ² . 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: http://ec.europa.eu/growth/smes/cosme/index_en.htm .
Governing Law and Language	The terms of the Counter-Guarantee Agreement shall be in the English language and the Counter-Guarantee Agreement shall be governed by the laws of England.
Counter-Guarantee Currency	The Counter-Guarantee shall be expressed in the Base Currency. All amounts and payments made under the Counter-Guarantee Agreement by and to the EIF shall be in the Base Currency. If an Intermediary 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 COSME Counter-Guarantee Agreement shall specify an appropriate FX mechanism.
Base Currency	The Intermediary Transactions can be denominated in EUR or certain other currencies. If the Portfolio consists of Intermediary Transactions denominated in currencies other than EUR, one of such non-EUR currency may be designated as the Base Currency.
Intermediary Transaction	Means any guarantee instrument issued by the Financial Intermediary for the benefit of a Financial Sub-Intermediary, covering (directly or indirectly) a Final Recipient Transaction.
Portfolio	The portfolio of Intermediary Transactions covered by the Counter-Guarantee.
Availability Period	Unless otherwise specified in the Counter-Guarantee Agreement, a period starting within 6 months from the date of signature of the Counter-Guarantee Agreement until the end of which the relevant Financial Intermediary may approve Intermediary 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 9 months after the end of the Availability Period or on the Extraordinary Inclusion Period End Date. During this period, Intermediary Transactions may be included in the Portfolio, provided that such transactions were approved before the end of the Availability Period and that the underlying Final Recipient Transactions have been at least partially disbursed.</p> <p>The inclusion of Intermediary 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 Intermediary Transactions so included shall be covered by the Counter-Guarantee from the date on which such Intermediary Transactions have been entered into.</p>
Extraordinary Inclusion Period End Date	<p>Unless stipulated otherwise in the Counter-Guarantee Agreement, the earlier of:</p> <ul style="list-style-type: none"> a) the date on which the EIF is effectively notified by the Financial Intermediary with the request to terminate the Inclusion Period; b) the date on which a Trigger Event occurred; c) the Termination Date. <p>For the avoidance of doubt, the already included Intermediary Transactions would continue to be covered under the Counter-Guarantee Agreement.</p>
Financial	Any entity (including guarantee schemes, guarantee institutions ³ or other financial

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.

³ Including guarantee institutions covering risks of counter-guarantees.

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Intermediaries	or credit institutions) duly authorised to issue (counter-) guarantees according to the applicable legislation, established and operating in one or more Participating Countries. Such institutions 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.
Financial Sub-Intermediaries	Any entity (including financial, guarantee or credit institutions) duly authorized to carry out financing according to the applicable legislation, established and operating in one or several of the Participating Countries. The Sub-Intermediaries shall meet <i>mutatis mutandis</i> the requirements for the Financial Intermediaries referred to above.
Maximum Portfolio Volume	The maximum aggregate amount of principal of Intermediary Transactions to be included in the Portfolio, as agreed in the Counter-Guarantee Agreement. The Maximum Portfolio Volume shall be denominated in the Base Currency.
Actual Portfolio Volume	Expressed in the Base Currency, the aggregate amount of the principal committed to be made available under newly originated Intermediary Transactions included in the Portfolio from time to time, provided that, for the avoidance of doubt: <ul style="list-style-type: none"> i) if any underlying Final Recipient Transaction covered by an Intermediary Transaction is prepaid and/or repaid, then this shall not reduce the Actual Portfolio Volume; ii) if an Intermediary Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such Intermediary Transaction may 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 guaranteed 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 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 Counter-Guarantee shall cover Losses at the Counter-Guarantee Rate and Counter-Guarantee Cap Rate (i.e. up to the Counter-Guarantee Cap Amount) and having regard to the fixed recovery rate, if applicable), incurred by the Financial Intermediary. Losses mean any amounts due and paid by the Financial Intermediary under the terms of the covered Intermediary Transaction following the occurrence of

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	a Transaction Default, a Transaction Acceleration or a Transaction Restructuring.
Transaction Default	<p>Means, in respect of a Final Recipient Transaction covered by an Intermediary Transaction and unless otherwise specified in the specific terms of the Counter-Guarantee Agreement, that:</p> <p>(i) the Financial Sub-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 Sub-Intermediary to action such as realisation of security)⁴; or</p> <p>(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> <p>To cure a Transaction Default, the terms of the Intermediary Transaction and/or the Final Recipient Transaction may be amended.</p>
Transaction Acceleration	<p>Means, in respect of a Final Recipient Transaction covered by an Intermediary Transaction, and unless otherwise specified in the specific terms of the Counter-Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such Final Recipient Transaction which has entitled the Financial Sub-Intermediary to accelerate payment of any amounts owed to it and the Financial Sub-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).</p>
Transaction Restructuring	<p>Means, in respect of a Final Recipient Transaction covered by an Intermediary Transaction and unless otherwise specified in the specific terms of the Counter-Guarantee Agreement, that the Financial Sub-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.</p>
Counter-Guarantee Cap Rate	<p>A percentage of the portion of the Actual Portfolio Volume covered by the Counter-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 Intermediary Transactions of the Portfolio to cover.</p> <p>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.</p>
Counter-Guarantee Rate	<p>The Counter-Guarantee Rate shall be up to 50% of each Intermediary Transaction covered by the Counter-Guarantee and will be typically set at its maximum.</p>
Counter-Guarantee Cap Amount	<p>An amount, expressed in the Base Currency, set in the Counter-Guarantee Agreement, at which the obligation to pay under the Counter-Guarantee is capped, which is the maximum liability under the Counter-Guarantee and is calculated at Financial Intermediary level as the product of the i) Actual Portfolio Volume, ii) the Counter-Guarantee Rate, and iii) the Counter-Guarantee Cap Rate.</p> <p>For the avoidance of doubt, on the earlier of:</p> <p>(i) the end of a disbursement period when amounts are available for utilisation by a Final Recipient, and</p> <p>(ii) the date falling 3 months after the end of the Inclusion Period,</p> <p>the relevant calculation is based on the adjusted Actual Portfolio Volume.</p>

⁴ Also applicable to Final Recipient Transactions which convert to equity.

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Payment Demand	Payment Demands shall only be valid if they are: a) relating to Losses under one or more covered Intermediary Transactions paid by the Financial Intermediary to Financial Sub-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 Counter-Guarantee	The Counter-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 grace period (if any), may result in the early termination of the Counter-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 Counter-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 Counter-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 Counter-Guarantee Agreement, and (iv) 31 December 2034.
Termination of the Counter-Guarantee	Upon termination of any Counter-Guarantee Agreement, EIF will initiate negotiations with the Financial Intermediary to settle any outstanding rights and liabilities by estimating 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 Counter-Guarantee Cap Amount.

Counter-Guarantee Fee

Counter-Guarantee Fee	The Counter-Guarantee is free of charge.
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Eligibility Criteria

Final Recipient	An SME which has entered into a Final Recipient Transaction covered by an Intermediary Transaction.
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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 Sub-Intermediary to a SME.
Debt Financing	Means any type of debt financing, including subordinated, 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 Sub-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 covered by an Intermediary Transaction, 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 covered by the Intermediary 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 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 covered by an Intermediary 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 Intermediary Transaction (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 Intermediary Transaction Eligibility Criteria, Final Recipient Eligibility Criteria, Final Recipient Transaction Eligibility Criteria, Financial Sub-Intermediary Eligibility Criteria and the COSME Enhanced Access to Finance (EAF) Criteria.</p> <p>Intermediary Transactions to be included in the Portfolio under the Counter-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 Counter-Guarantee Agreement (collectively, the “Eligibility Criteria”).</p> <p>A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Intermediary 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. Intermediary Transaction Eligibility Criteria</p> <p>i) Intermediary Transaction shall cover (directly or indirectly) Final Recipient Transactions meeting the criteria specified below.</p>

2. Final Recipient Eligibility Criteria

SMEs under Final Recipient Transactions covered by the Intermediary Transactions shall comply with each of the following eligibility criteria:

- ii) 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);
- iii) 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;
- iv) 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);
- v) The Final Recipient shall not be delinquent or in default in respect of any other debt financing either granted by the Financial Sub-Intermediary or Financial Intermediary or by another financial institution pursuant to checks made in accordance with the Financial Intermediary’s or Financial Sub-Intermediary’s internal guidelines and credit and collection policy;
- vi) The Final Recipient shall not be established in territories whose jurisdictions do not 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”;
- vii) The Final Recipient shall be established and operating in a Participating Country;
- viii) 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.

3. Final Recipient Transaction Eligibility Criteria

Final Recipient Transactions shall comply with each of the following eligibility criteria:

- ix) Origination period: Final Recipient Transactions shall be newly originated, i.e. entered into by the Financial Sub-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);
- x) 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;
- xi) Type of financing: Final Recipient Transactions shall be Debt Financing transactions;
- xii) Form: Final Recipient Transactions other than bank guarantees shall have a fixed repayment schedule or be a Revolving Credit Transaction;
- xiii) Principal amount: The principal amount of a Final Recipient Transaction

	<p>included in the Portfolio (which must be included for its full principal amount and not the portion thereof) shall not exceed EUR 150,000⁵. 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 Facility⁶. 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>xiv) Guaranteed principal Final Recipient Transaction amount: The following thresholds apply:</p> <ol style="list-style-type: none">1. the amount counter-guaranteed is up to 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; or2. the amount counter-guaranteed is up to EUR 750,000 (EUR 375,000 for SMEs performing road freight transport) and the duration of the Final Recipient Transaction exceeds five years with the Counter-Guarantee being limited to a maximum of 10 years; <p>xv) Final Recipient Transactions shall have a minimum scheduled maturity of 12 months;</p> <p>xvi) Final Recipient Transactions shall not be affected by an Irregularity or Fraud;</p> <p>xvii) Other than as a result of Conversion of the Revolving Credit Transaction the maximum maturity of the Revolving Credit Transaction shall not exceed 5 years;</p> <p>xviii) Final Recipient Transactions shall be denominated in EUR and/or any other currency as specified in the Counter-Guarantee Agreement. If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under (v) and (vii) above should be respected;</p> <p>xix) The Final Recipient Transaction should comply with the COSME Enhanced Access to Finance (EAF) Criteria.</p>
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⁵ If a Final Recipient Transaction is denominated in a non-EUR currency, equivalent amounts to the maximum thresholds specified under v) above should be respected and calculated according to an FX Mechanism that will be specified in the Counter-Guarantee Agreement.

⁶ 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>5. Financial Sub-Intermediary Eligibility Criteria</p> <p>xx) The Financial Sub-Intermediary shall be established and operating in one or more of Participating Countries;</p> <p>xxi) The Financial Sub-Intermediary shall be (a) duly authorised to carry out lending or leasing activities or providing bank guarantees in accordance with applicable laws and regulations and (b) a guarantee scheme, guarantee institution or other financial or credit institution duly authorised, if applicable, to issue guarantees according to applicable legislation.</p> <p>4. COSME Enhanced Access to Finance (EAF) Criteria</p> <p>These criteria will be specified in the Counter-Guarantee Agreement on a case by case basis, following EIF’s assessment, and will include:</p> <p>xxii) The Intermediary Transactions included in the Portfolio shall belong to one of the SME Higher Risk Categories;</p> <p>xxiii) Additional EAF Criteria (if any) as specified in the Counter-Guarantee Agreement (e.g. EIF may agree with the Financial Intermediary some features of the Intermediary Transactions / Final Recipient Transactions in line with the programme objectives, i.e. high risk perceived 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: This option shall comprise Intermediary 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 guarantee policy and/or guarantee practice due to their higher credit risk (e.g. loans to start-ups). 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 guarantee volume. 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 Counter-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 Counter-Guarantee Agreement will contain an estimate of a reference volume, based on the aggregate principal amount of Final Recipient Transactions that would have been made available to SMEs in the absence of the Counter-Guarantee (the “Reference Portfolio Volume”).</p>

	<p>The Counter-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 Counter-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 Counter-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 Counter-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 an Intermediary 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) 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 Counter-Guarantee Agreement.</p>
<p>Lease</p>	<p>Means, unless otherwise specified in the specific terms of the Counter-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>
<p>Fraud</p>	<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>
<p>Irregularity</p>	<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</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.

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	financial interests (OJ L 312, 23.12.1995, p.1) ⁸ .
Exclusion Process	<p>i) At any time, the EIF may verify whether an Intermediary Transaction included in the Portfolio is an eligible Intermediary Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Counter-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 Intermediary 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 Intermediary Transaction shall be excluded from the Portfolio (and shall not be covered by the Counter-Guarantee) ("Excluded Intermediary Transaction") as of the date on which it became a non-eligible Intermediary Transaction.</p> <p>However if an Intermediary Transaction included in the Portfolio is or becomes a non-eligible Intermediary Transaction, as a result of any event or circumstance beyond the control of the Financial Intermediary after a payment demand relating to the Final Recipient Transaction covered by such Intermediary Transaction was served by the Financial Sub-Intermediary to the Financial Intermediary, such Intermediary Transaction shall be deemed to be covered by the Counter-Guarantee.</p> <p>Similarly if an Intermediary Transaction included in the Portfolio becomes a non-eligible Intermediary Transaction, as a result of any event or circumstance beyond the control of the Financial Intermediary but before a payment demand relating to the Final Recipient Transaction covered by such Intermediary Transaction was served by the Financial Sub-Intermediary to the Financial Intermediary, then such Intermediary Transaction shall be deemed to be covered by the Counter-Guarantee if the Financial Intermediary procures that all amounts owed to the Financial Sub-Intermediary 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. However, if the Financial Sub-Intermediary does not proceed to the acceleration of such Final Recipient Transaction within the timeframe specified above then the relating Intermediary Transaction covering such Final Recipient Transaction shall be excluded from the Portfolio as of the date on which it became a non-eligible Intermediary Transaction.</p> <p>The Actual Portfolio Volume shall be reduced following an exclusion from the Portfolio by the aggregate committed principal amount of the Intermediary Transactions so excluded.</p>
Right of	EIF will be entitled to be repaid by the Financial Intermediary certain amounts in

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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Clawback	specified circumstances, including any amounts paid under the Counter-Guarantee by EIF in excess of the Loss, in excess of the Counter-Guarantee Cap Amount, and any excess amount paid by EIF as a result of an exclusion of an Intermediary Transaction from the Portfolio.
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Miscellaneous

Servicing and Recoveries	<p>The Financial Intermediary and Financial Sub-Intermediary shall service the Portfolio in accordance with their 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 Counter-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 Counter-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 Intermediary Transactions included in the Portfolio, Final Recipients, and Final Recipient Transactions covered by the Intermediary Transactions (the "Report").</p> <p>An indicative quarterly report template is attached in the Annex 2 of this document.</p> <p>Other reporting may be required from the Financial Intermediary as per specific schedule to the Counter-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 Counter-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 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 envisaged 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, Financial Sub-Intermediaries and Final Recipients) will have to be contacted/interviewed on a sample basis (either by the European Commission itself or by a contractor acting on behalf of the European Commission) and it shall be an obligation for the Financial Intermediary, Financial Sub-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</p>

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	<p>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.</p> <p>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, Financial Sub-Intermediaries and the relevant Final Recipients covered (directly or indirectly) by the Counter-Guarantee shall agree to allow and to provide access to documents and premises related to the relevant Counter-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 Counter-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 or ensure that each Financial Sub-Intermediary includes appropriate provisions in each agreement with the Final Recipients (as applicable).
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 Counter-Guarantee Agreement or (ii) adversely prejudice the interests of, inter alia, the EIF, the European Commission or the EIB under the Counter-Guarantee Agreement.</p> <p>The Financial Intermediary shall include in the documentation applicable to each Intermediary Transaction the undertakings from the Financial Sub-Intermediary equivalent to those contained above. In addition, it shall include either directly in its documentation with the Final Recipient or indirectly, via an undertaking from the Financial Sub-Intermediary to include it 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 to be covered by the Intermediary Transaction shall comply at any relevant time with the Eligibility Criteria.</p>
Publicity	<p>Financial Intermediaries and Financial Sub-Intermediaries, in line with applicable law, EC and the COSME Programme provisions, may carry out marketing and publicity campaigns - as specified in the Counter-Guarantee Agreement - aimed at making the EU COSME LGF initiative known to the Final Recipients in the relevant region/country.</p> <p>In particular, the selected Financial Intermediary and Financial Sub-Intermediaries will be contractually required to:</p>

	<p>a) Ensure that the information and promotional material of the product clearly point to the support provided by the COSME LGF under the COSME Programme;</p> <p>b) Promote the products offered under the COSME LGF through its website, including concrete information on how/where to apply and contact points for Final Recipients⁹;</p> <p>c) Explicitly inform Final Recipients that financing is made possible through the support of the COSME 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. These requirements shall also be complied with by Financial Sub-Intermediaries.</p> <p>All documents concerning this Counter-Guarantee, including amongst others, Debt Financing applications, Final Recipient Transaction agreements, promotional material to the Final Recipients, etc, will contain a statement mentioning that the Final Recipient Transaction was made possible with the support of the COSME LGF. 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 on its website, no later than 30 June of each year, information on Financial Intermediaries, Financial Sub-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> <p>i) for each Financial Intermediary the name and address of the Financial Intermediary with whom the EIF has signed a Counter-Guarantee Agreement, as well as an indication of the Counter-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.</p> <p>ii) a list of Financial Sub-Intermediaries used for the implementation of the LGF, containing for each Financial Sub-Intermediary the name and address and the type of finance received under the COSME LGF.</p> <p>iii) 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 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</p>

⁹ The objective is to aggregate information from all Financial 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 Financial Intermediaries of the COSME LGF.

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

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	<p>type of financing received under the COSME LGF.</p> <p>Any Financial Intermediary, Financial Sub-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 Counter-Guarantee without the consent of the EIF.
Record keeping	<p>i) The Financial Intermediaries and Financial Sub-Intermediary shall maintain or be able to produce all the documentation related to the implementation of the Counter-Guarantee Agreement for a period of seven (7) years following the Termination Date of the Guarantee.</p> <p>ii) The Financial Intermediary shall require each Final Recipient and, where applicable, Financial Sub-Intermediary to maintain and be able to produce all documentation related to implementation of the relevant Intermediary Transaction for a period of seven (7) years following the termination of the Intermediary Transaction.</p>
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	A.1.2	A.1.3	A.1.4	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	A.1.13.1	
Final Recipient ID	Name	Address	Postal Code	Place	Region (NUTS level 2)	Country	Date of establishment	Sector	Number of employees	Total turnover (EUR)	Total assets (EUR)	Financial Recipient internal scoring/rating (Rating Class)	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	A.2.1	A.2.1.1	A.2.2	A.2.3	A.2.4	A.2.4.1	A.2.4.2	A.2.5	A.2.6	A.2.7
Final Recipient ID	Final Recipient Transaction ID	Final Recipient Transaction Type	Currency	Purpose	Principal amount	Purchase price	Down payment	Maturity (months)	Grace period (months)	Signature date
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory, if applicable	Mandatory, if applicable	Mandatory	Mandatory	Mandatory

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

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PART A - A3 NEW FINAL RECIPIENT GUARANTEES

A.1.1	A.2.1	A.3.1	A.3.2	A.3.3	A.3.4	A.3.5	A.3.6	A.3.7	A.3.8	
Final Recipient ID	Final Recipient Transaction ID	Guarantee amount	Guarantee rate	Guarantee signature date	Guarantee maturity date	Sub-Intermediary name	Sub-Intermediary address	Sub-Intermediary postal code	Sub-Intermediary place	Comments
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Optional

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

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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

**PART H-
CONVERTED
FINANCIAL
RECIPIENT
TRANSACTIONS**

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