

INNOVFIN SME GUARANTEE FACILITY

INDICATIVE GUARANTEE TERM SHEET

(updated on 6th April 2020)

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) (the “**Relevant Entity**”) and/or 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 Guarantee

The guarantee (the “**Guarantee**”) shall be issued by EIF (the “**Guarantor**”) in the context of the InnovFin SME Guarantee facility (the “**Facility**”) for the benefit of a [*specify relevant Financial Intermediary*]. It shall partly cover the credit risk associated with underlying, newly originated loans and/or Mini Bonds and/or Finance Leases to SMEs and/or Small Mid-caps and/or Large Mid-caps included in the guaranteed portfolio (the “**Portfolio**”).

InnovFin COVID-19 Support Measures require amendment of certain terms and conditions of this termsheet, as further set out in the [Addendum](#).

In order to ensure an alignment of interest between the Financial Intermediary and the Facility, eligible Beneficiary Transactions shall be covered by EIF at a guarantee rate of up to 50%.

The Guarantee shall constitute a financial guarantee and shall cover defaulted amounts (relating to unpaid principal and interest) incurred by the Financial Intermediary in respect of each defaulted eligible Beneficiary Transaction.

The origination, due diligence, documentation and servicing of the Beneficiary Transactions shall be performed by the Financial Intermediary in accordance with its standard origination and servicing procedures. Notwithstanding the foregoing, the Financial Intermediaries pursuing the indirect origination via On-Lending Banks may be eligible for the Facility provided they fulfil the following conditions:

- carry out an independent risk assessment of the Beneficiaries and assign internal scoring/rating [or equivalent] to the relevant Beneficiaries (subject, as the case may be, to a *de minimis* amount as agreed with the EIF);
- verify compliance of Beneficiaries and Beneficiary Transactions with the Eligibility Criteria;
- ensure that the Financial Benefit is passed on to Beneficiaries (where the Beneficiary is an SME or a Small Mid-cap);
- provide quarterly information on each Beneficiary and Beneficiary Transaction included in the Portfolio in accordance with the reporting requirements;

- retain at all times (both the Financial Intermediary and On-Lending Bank) an economic exposure of at least 20% of the outstanding principal amount of each Beneficiary Transaction included in the Portfolio; benefit *pari passu* from recoveries collected or recovered by the On-Lending Banks with respect to defaulted Beneficiary Transactions.

Eligible Beneficiary Transactions will be covered by way of submitting inclusion notices on a quarterly basis until the end of the relevant Inclusion Period.

The guarantee fee charged will be fixed and depend on whether the Beneficiary Transaction is a Subordinated Beneficiary Transaction or any other Beneficiary Transaction and whether the Beneficiary Transaction is an SME Transaction or a Small Mid-cap Transaction or a Large Mid-cap Transaction.

An EIB global loan can potentially serve as funding along the guarantee provided by EIF under the Facility (please refer to www.eib.org for details).

Indicative terms of the Guarantee

The terms set out below apply to all Beneficiary Transactions, unless otherwise provided in the Subordinated Debt Schedule attached to Annex II:

<p>Structure</p>	<p>Portfolio direct financial guarantee providing credit risk coverage on a loan-by-loan (or lease by lease or bond by bond) basis for the creation of a portfolio of eligible Beneficiary Transactions. The Guarantee, provided by EIF, but jointly financed by the EU and the EIF, shall cover Defaulted Amounts incurred by the Financial Intermediary in respect of each defaulted eligible Beneficiary Transaction in accordance with the Guarantee Rate.</p> <p>FINANCIAL INTERMEDIARY</p> <p>EIF</p> <p>Portfolio of Beneficiary Transactions</p> <p>Portfolio of Guarantees</p> <p>FINANCIAL INTERMEDIARY</p> <p>EIF Guarantee</p> <p>EIF as Guarantor</p> <p>Guarantee</p> <p>Guarantee Fee</p> <p>Credit risk retained by the Financial Intermediary*</p> <p>Guarantee coverage provided by the EIF</p> <p>Up to 50% guarantee rate on a loan by loan basis</p> <p>* Additional external credit protection may be obtained by the Financial Intermediary. At any time the economic exposure retained by the Financial Intermediary towards any Beneficiary Transaction must not be lower than 20% of the principal amount outstanding</p>
<p>Governing Law and Language</p>	<p>The terms of the Guarantee Agreement shall be in the English language and the Guarantee Agreement shall be governed by the laws of England.</p>
<p>Guarantee Currency</p>	<p>The Guarantee shall be expressed in the Base Currency.</p> <p>All amounts and payments made under the Guarantee Agreement by and to the EIF shall be in the Base Currency, except for payments made by the EIF to the Financial Intermediary in respect of Defaulted Amounts. The latter payment will be made, at the EIF’s discretion, either in the currency in which such Defaulted Amounts have been incurred or in the Base Currency.</p>
<p>Base Currency</p>	<p>Beneficiary Transactions can be denominated in EUR or certain other currencies or in more than one currency. If the Portfolio consists of Beneficiary Transactions denominated in EUR and another currency, the Base Currency shall typically be EUR. If the Portfolio consists of Beneficiary Transactions denominated in currencies other than EUR only, one of such currencies shall be designated as the Base Currency.</p>

Inclusion Period	<p>Unless otherwise specified in the Guarantee Agreement, a period starting on the date of signature of the Guarantee Agreement and ending on the earlier of (i) the Scheduled Inclusion Period End Date and (ii) the Early Inclusion Period End Date, during which Beneficiary Transactions may be included by the Financial Intermediary in the Portfolio for cover.</p> <p>Such inclusion of eligible Beneficiary Transactions shall occur automatically upon receipt by EIF of an inclusion notice submitted by the Financial Intermediary on a quarterly basis until the end of the Inclusion Period.</p> <p>For the avoidance of doubt, eligible Beneficiary Transactions so included shall be covered by the Guarantee from the date on which such Beneficiary Transactions have been entered into.</p>
Scheduled Inclusion Period End Date	<p>Means the earlier of:</p> <ul style="list-style-type: none"> a) [24-36] months after the date of signature of the Guarantee Agreement, or such other period as indicated in the Guarantee Agreement, provided that Beneficiary Transactions that have not been entered into before the end of the aforementioned period may be included if they have been approved by the Financial Intermediary during this period and entered into within 6 months from the end of this period. b) 31 December 2022.
Early Inclusion Period End Date	<p>Unless stipulated otherwise in the Guarantee Agreement, the first to occur of:</p> <ul style="list-style-type: none"> a) the date on which the Guarantor is effectively notified by the Financial Intermediary with the request to terminate the Inclusion Period; b) the date specified in a Trigger Event Notice sent by the Guarantor (if any) after a Trigger Event occurred; c) Termination Date.
Financial Intermediaries	<p>Financial or credit institutions or loan (debt) funds duly authorised to carry out lending or leasing activities¹ according to the applicable legislation, established or operating in one or several of the Participating Countries. Such institutions shall comply with the relevant international and EU standards and legislation, where applicable, on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and artificial arrangements aimed at tax avoidance.</p> <p>The Financial Intermediaries:</p> <ul style="list-style-type: none"> a) shall not be established in a Non-Compliant Jurisdiction, unless the Beneficiary Transaction is physically implemented in the relevant Non-Compliant Jurisdiction 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 Beneficiaries; b) shall not, to the best of their knowledge, be in any Condition of Exclusion; c) shall not perform R&I activities which are related to: <ul style="list-style-type: none"> (i) illegal activities according to the applicable legislation in the country of the Financial Intermediary or (ii) R&I Excluded Activities.
On-Lending Bank	<p>In an indirect origination model, a financial or credit institution, which enters into an agreement with the Financial Intermediary (directly or through a pass-through</p>

¹ Purchase of bonds may also be considered subject to an evaluation of the feasibility on a case by case basis.

	<p>financial or credit institution) to i) fund entirely or partially Beneficiary Transactions entered into by the relevant On-Lending Bank and the Beneficiary and ii) partially cover the exposure of the On-Lending Bank thereunder.</p> <p>On-Lending Banks (and any pass-through institutions, if any) shall meet, mutatis mutandis, the requirements for the Financial Intermediaries referred to above.</p> <p>The references made in this termsheet to On-Lending Bank shall include, where applicable, a reference to the relevant pass-through institution.</p>
Non-Compliant Jurisdiction	<p>Means a jurisdiction:</p> <ul style="list-style-type: none"> (a) 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 (b) 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 (c) 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 (d) 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 (e) 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>
Maximum Portfolio Volume	<p>The maximum amount that the Agreed Portfolio Volume can reach, as agreed in the Guarantee Agreement.</p>
Agreed Portfolio Volume	<p>The Agreed Portfolio Volume is the maximum aggregate amount of principal² of newly originated eligible Beneficiary Transactions (the relevant amount for a Revolving Beneficiary Transaction being the Credit Limit Amount) to be included in the Portfolio, as agreed in the Guarantee Agreement.</p> <p>The Agreed Portfolio Volume will correspond to a percentage of the Maximum Portfolio Volume and shall be denominated in the Base Currency, regardless of the denomination of the Beneficiary Transactions included in the Portfolio.</p> <p>At any time during the Inclusion Period, the Agreed Portfolio Volume may be reduced by agreement between the EIF and the Financial Intermediary if the</p>

² In case of Finance Leases, the references to the ‘principal amount’ shall deem to have references to the ‘capital amount’, which means at any time the amount financed by the Financial Intermediary to the Beneficiary under a Beneficiary Transaction, i.e. the net purchase price of the leased asset reduced by the amount of a down payment thereunder.

	<p>Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the Guarantee Agreement.</p> <p>At any time during the Inclusion Period, the EIF may agree with the Financial Intermediary to increase the amount of the Agreed Portfolio Volume up to an amount specified in the Guarantee Agreement, (such amount being the Maximum Portfolio Volume) if the ramp-up of the Portfolio has been substantially achieved or, considering the facts and circumstances, is certain to be achieved well before the end of the Inclusion Period.</p>
Actual Portfolio Volume	<p>Expressed in the Base Currency, the aggregate amount of the principal committed to be available under newly originated eligible Beneficiary Transactions (the relevant amount for a Revolving Beneficiary Transaction being the Credit Limit Amount) included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <ul style="list-style-type: none"> i) if any eligible Beneficiary Transaction is prepaid or repaid, then this shall not reduce the Actual Portfolio Volume; and ii) if a Beneficiary Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such Beneficiary Transaction shall not be taken into account for the calculation of the Actual Portfolio Volume. iii) The Actual Portfolio Volume may in no circumstances exceed the Agreed Portfolio Volume.
Trigger Event	Means any of the Cumulative Default Rate Trigger Event and the Portfolio Trigger Event.
Cumulative Default Rate Trigger Event	A trigger event shall occur if, on one or more specified date(s) during the Inclusion Period, the aggregate of principal amount (for Revolving Beneficiary Transactions the relevant amount being the Credit Limit Amount) of defaulted Beneficiary Transactions exceeds a predetermined level.
Portfolio Trigger Event	A trigger event shall occur if, on one or more specified date(s) during the Inclusion Period, the aggregate committed principal amount of Beneficiary Transactions (for Revolving Beneficiary Transactions the relevant amount being the Credit Limit Amount) included in the Portfolio does not exceed a predetermined level.
Guarantee Rate	The Guarantee Rate shall be up to 50% of the Defaulted Amounts covered by the Guarantee, as specified in the Guarantee Agreement.
Defaulted Amounts	<p>The Guarantee shall cover Defaulted Amounts at the Guarantee Rate incurred by the Financial Intermediary not later than by the Final Payment Demand Date, where Defaulted Amounts mean:</p> <ul style="list-style-type: none"> i) Principal and/or interest³ amounts (excluding late payment or default interest, capitalised interest, fees and other costs and expenses and excluding any interest amounts which accrued after a period of 90 days) due, payable and outstanding at such time following occurrence of either a Beneficiary Transaction Default or a Beneficiary Transaction Acceleration, and ii) 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), payable as a result of a Beneficiary Transaction Restructuring.

³ In case of Finance Leases, the references to the 'interest amount' shall deem to be references to "lease interest amount", which shall mean the interest amount charged by the Financial Intermediary to the Beneficiary at the rate set out in the relevant Beneficiary Transaction documentation.

	The EIF will rank <i>pari passu</i> with Financial Intermediaries with respect to Recoveries. In this context, the Financial Intermediaries shall rank <i>pari passu</i> with relevant On-Lending Banks.
Beneficiary Transaction Default	Means, in respect of a Beneficiary Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that (i) the Financial Intermediary (or On-Lending Bank, as applicable) considers at any time (acting reasonably in accordance with its internal procedures) that a Beneficiary is unlikely to meet its payment obligations under such Beneficiary Transaction (without recourse by the Financial Intermediary to action such as realisation of security); or (ii) a Beneficiary has failed to meet any payment obligation for at least 90 consecutive calendar days under the relevant Beneficiary Transaction.
Beneficiary Transaction Acceleration	Means, in respect of a Beneficiary Transaction, and unless otherwise specified in the specific terms of the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such Beneficiary Transaction which has entitled the Financial Intermediary (or On-Lending Bank, as applicable) to accelerate payment of any amounts owed to it and the Financial Intermediary (or On-Lending Bank, as applicable) 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).
Beneficiary Transaction Restructuring	Means, in respect of a Beneficiary Transaction and unless otherwise specified in the specific terms of the Guarantee Agreement, that the Financial Intermediary (or On-Lending Bank, as applicable), acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of such Beneficiary Transaction such that the amount of principal scheduled to be paid, and/or any interest amount due, by the relevant Beneficiary is reduced, in order to improve the collectability of the claims arising from the relevant Beneficiary Transaction.
Payment Demand	Payment Demands shall only be valid if they are: <ul style="list-style-type: none"> a) relating to the Defaulted Amount incurred by the Financial Intermediary relating to the Beneficiary Transaction(s) included in the Portfolio, such Defaulted Amount having been reported to the EIF by not later than the third Report Date following the calendar quarter in which such Defaulted Amount has been incurred; b) sent during a Payment Demand Period.
Payment Demand Period	Means the period starting from (but excluding) the last day of the calendar quarter to (and including) the immediately following 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 relevant Payment Demand Date (i.e. the relevant Report Date, provided that the last Payment Demand Date shall be the Final Payment Demand Date).
Final Payment Demand Date	Means the earlier of (a) the Termination Date (except that, in case of Early Termination Date it shall be 1 month after the Early Termination Date) and (b) 4 months following the Latest Beneficiary Transaction Maturity Date.
Events of Default under the Guarantee	The Guarantee Agreement contains certain events of default, including non-payment, breach of obligation, insolvency, unlawfulness, Sanctions 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 termination of the Guarantee Agreement (such event, an “ Early Termination ”). Upon Early Termination all amounts due by

		the EIF and/or the Financial Intermediary would be calculated in accordance with the terms of the Guarantee Agreement as if the Report Date were the Early Termination date, except that no Payment Demand may be sent to EIF if an unlawfulness event of default has occurred and is continuing at the time when such a Payment Demand would have to be submitted.
Latest Beneficiary Transaction Maturity Date		Means the earlier of (X) the latest day on which a Beneficiary Transaction included in the Portfolio is scheduled to be repaid by the relevant Beneficiary in accordance with the scheduled repayment provisions of the documentation governing such Beneficiary Transaction and (Y) the date which is the Maximum Beneficiary Transaction Maturity following the last day of the Inclusion Period.
Termination Date		The Guarantee shall terminate on the earlier of: (i) six months following the Latest Beneficiary Transaction Maturity Date; (ii) the date on which an Early Termination (if any) has occurred, (iii) the date (if any) on which the EIF is no longer liable to effect further payments to the Financial Intermediary and has no further claims under the Guarantee and (iv) 30 June 2033.
Guarantee Fee Percentage		The Guarantee Fee Percentage with respect to a Beneficiary Transaction other than a Subordinated Beneficiary Transaction shall be: a) For an SME Transaction, <i>0.5% per annum</i> . b) For a Small Mid-cap Transaction, <i>0.8% per annum</i> . c) For a Large Mid-cap Transaction, the higher of: (i) <i>0.8% per annum</i> and (ii) the <i>credit risk spread</i> in basis points per annum charged by the Financial Intermediary on the Large Mid-cap Transaction.
Guarantee Fee Amount		The Guarantee Fee Amount will be expressed in the Base Currency and payable by the Financial Intermediary to the EIF, with respect to each Beneficiary Transaction included in the Portfolio, on a quarterly basis, calculated as the sum of the product, for each Beneficiary Transaction, of: a) the appropriate Guarantee Fee Percentage divided by 360; and b) the sum of the outstanding principal amount of a Beneficiary Transaction on each day during the calendar quarter on which Beneficiary Transaction was a Performing Beneficiary Transaction; and c) the Guarantee Rate. In the case of Beneficiary Transactions other than Revolving Beneficiary Transactions, EIF may agree to the upfront payment of the Guarantee Fee, on the basis of the scheduled repayment profile of each Beneficiary Transaction and of an appropriate discount factor. The Guarantee Fee is non-refundable. However, if the Financial Intermediary becomes aware that one or more Beneficiary Transactions are non-eligible Transactions and, by not later than the second Report Date following the calendar quarter on which such Beneficiary Transaction(s) were included in the Portfolio, causes such non-eligible Beneficiary Transaction(s) to be removed from the Portfolio, then the EIF shall repay the portion of the Guarantee Fee which relates to such excluded Beneficiary Transaction.
Financial Benefit		Means, with respect to a SME Transaction or a Small Mid-cap Transaction, the basis points reduction of the overall interest rate (through a reduction in the customary risk spread of the transaction) charged by the Financial Intermediary (or On-Lending Bank, as applicable) to the SME or Small Mid-cap, as applicable. The reduction shall be assessed and confirmed by EIF following analysis and due diligence. This requirement shall not apply to Large Mid-cap Transactions.

Beneficiaries and Eligibility Criteria

Beneficiary	An SME, Small Mid-cap or a Large Mid-cap.
SME	Micro, small or medium-sized enterprise as defined in the Commission Recommendation.
Mid-cap	Small Mid-cap or Large Mid-cap.
Small Mid-cap	An enterprise within the meaning of Article 1 of the Title I of the Annex of the Commission Recommendation which: <ul style="list-style-type: none"> a) 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; and b) is not an SME.
Large Mid-cap	An enterprise, as defined in Article 1 of the Title I of the Annex of the Commission Recommendation whose number of employees is between (and including) 500 and 3,000 (with staff headcount calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation).
Commission Recommendation	Commission Recommendation 2003/361/EC, concerning the definition of micro, small and medium-sized enterprises ⁴ , as amended, restated, supplemented and/or substituted from time to time.
Beneficiary Transaction	Means an SME Transaction, Small Mid-cap Transaction or a Large Mid-cap Transaction. For Subordinated Beneficiary Transactions, the Beneficiary must be a SME or Small Mid-cap.
Performing Beneficiary Transaction	Means at any date during a calendar quarter a Beneficiary Transaction in respect of which no Beneficiary Transaction Default, Beneficiary Transaction Acceleration or Beneficiary Transaction Restructuring has occurred on such date according to the relevant report submitted to the EIF by the corresponding Report Date.
SME Transaction	Means a debt financing, including loan or bond ⁵ or Finance Lease entered into between a Financial Intermediary (or On-Lending Bank as applicable) and an SME.
Small Mid-cap Transaction	Means a debt financing, including loan or bond ⁶ or Finance Lease entered into between a Financial Intermediary (or On-Lending Bank as applicable) and a Small Mid-cap.
Large Mid-cap Transaction	Means a debt financing, including loan or bond ⁷ or Finance Lease entered into between a Financial Intermediary (or On-Lending Bank as applicable) and a Large Mid-cap.
Revolving Beneficiary Transaction	Means a Beneficiary Transaction in the form of a loan (which shall include an overdraft line of credit and liquidity lines of credit, and exclude any credit or loan resulting from utilisation of credit card limits) to a Beneficiary that can use, on a revolving basis, the financing available for a specified period through one or more

⁴ OJ L124, 20.05.2003, p. 36

⁵ Subject to an evaluation of the feasibility on a case by case basis.

⁶ Subject to an evaluation of the feasibility on a case by case basis.

⁷ Subject to an evaluation of the feasibility on a case by case basis.

	drawdowns and repayments up to the Credit Limit Amount (including by settling obligations arising from letter of credit).
Credit Limit Amount	Means the maximum principal amount that a Financial Intermediary (or On-Lending Bank, as applicable) commits under a Revolving Beneficiary Transaction without any repayments by the Beneficiary.
Rollover of Revolving Beneficiary Transactions	In the case of Revolving Beneficiary Transactions included in the Portfolio, any entry into an agreement with a new maturity for a Revolving Beneficiary Transaction with the same Beneficiary as a replacement of an existing Revolving Beneficiary Transaction, having the same Credit Limit Amount, but without repayment in full by the Beneficiary of amounts outstanding under the existing Revolving Beneficiary Transaction, shall be treated as an extension of the maturity of the existing Revolving Transaction and not as the entry into a new Beneficiary Transaction with the relevant Beneficiary. For avoidance of doubt, such extended maturity must not exceed Maximum Revolving Beneficiary Transaction Maturity, where the relevant term shall be calculated starting from the day the existing Revolving Beneficiary Transaction was first entered into.
Conversion of Revolving Beneficiary Transactions	If a Revolving Beneficiary Transaction included in the Portfolio is converted to a Beneficiary Transaction which is not a Revolving Beneficiary Transaction, as a result of entry into a new contractual agreement or the execution of a contractual amendment, the resulting Beneficiary Transaction shall continue to be included in the Portfolio and remain covered by the Guarantee (and shall not be treated as a new Beneficiary Transaction entered into with the relevant Beneficiary) provided that (a) such conversion constituted a Permitted Beneficiary Transaction Amendment, or (b) the maturity of the converted Beneficiary Transaction does not exceed the Maximum Beneficiary Transaction Maturity, where the relevant term shall be calculated starting from the day the existing Revolving Beneficiary Transaction was first entered into.
Eligibility Criteria	<p>Beneficiary Transactions included in a Portfolio <u>shall</u> comply with the eligibility criteria set out below and any additional eligibility criteria set out in the specific terms of the relevant Guarantee Agreement (collectively, the "Eligibility Criteria").</p> <p>The Eligibility Criteria shall be met at all times, except for all the Innovation and Digitalisation Eligibility Criteria, the Beneficiary Eligibility Criteria a)-h), the Beneficiary Transaction Eligibility Criteria f) and i), and the Portfolio Eligibility Criteria which shall only be met on the signing date of the document(s) evidencing the relevant Beneficiary Transaction (or where specifically indicated, on the date of the Beneficiary's application for a Beneficiary 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.</p> <p>A breach of any of the Eligibility Criteria shall result in an exclusion of the relevant Beneficiary Transaction(s) from the Portfolio save as specified in the "Exclusion Process".</p> <p>1. Innovation and Digitalisation eligibility criteria</p> <p>Beneficiaries shall comply with at least one the following eligibility criteria:</p> <p>(a) The Beneficiary is an SME or a Mid-cap that intends to use the Beneficiary Transaction to invest in producing, developing or implementing new or substantially improved (i) products, processes or services, or (ii) production or delivery methods, or (iii) organisational or process innovation including business models that</p>

are innovative⁸ and where there is a risk of technological, industrial or business failure as evidenced by an evaluation carried out by an external expert, or

- (b) The Beneficiary is a “fast-growing enterprise”, which is an SME or a Mid-cap operating in a market for less than 12 years following its first commercial sale and with an average annualised endogenous growth in employees or in turnover greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period, or
- (c) The Beneficiary is an SME or a Mid-cap that has been operating in a market for less than 7 years following its first commercial sale and its R&I costs represent at least 5% of its total operating costs in at least one of the three preceding years* or in the case of an enterprise (and particularly a start-up) without any financial history, according to its current financial statements, or
- (d) The Beneficiary shall have a significant innovation potential or be an “R&I-intensive enterprise”, by satisfying at least one of the following conditions:
 - 1) The Beneficiary’s R&I annual expenses are equal or exceed 20% of the Beneficiary Transaction amount as per the Beneficiary’s latest statutory financial statements, under the condition that the Beneficiary’s business plan indicates an increase of its R&I expenses at least equal to the Beneficiary Transaction amount; or
 - 2) The Beneficiary undertakes to spend an amount at least equal to 80% of the Beneficiary Transaction amount on R&I activities as indicated in its business plan and the remainder on costs necessary to enable such activities; or
 - 3) The Beneficiary has been formally awarded grants, loans or guarantees from European R&I support schemes⁹ or through their funding instruments¹⁰ or regional, national research or innovation support schemes over the last thirty-six (36) months*, under the condition that the Beneficiary Transaction is not covering the same expense; or
 - 4) The Beneficiary has been awarded over the last twenty-four (24) months* an R&D or Innovation prize provided by an EU institution or an EU body; or
 - 5) The Beneficiary has registered at least one technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other

⁸ As defined in the paragraphs 15(y) and 15(bb) of 1.3 Definitions of the Communication from the Commission C(2014) 3282 OF 21 May 2014 on the Framework for state aid for research and development and innovation.

⁹ e.g., Horizon 2020 or FP7.

¹⁰ e.g., Joint Technology Initiatives or Eurostars.

products for which such supplementary protection certificates may be obtained, plant breeder's certificate or software copyright) in the last twenty-four (24) months* and the Beneficiary Transaction purpose is to enable, directly or indirectly, the use of this technology right; or

- 6) The Beneficiary is an early stage SME and has received an investment over the last twenty-four (24) months* from a venture capital investor or from a business angel being a member of a business angels network; or such venture capital investor or business angel is a shareholder of the Beneficiary* ; or
- 7) The Beneficiary requires a risk finance investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of its average annual turnover in the preceding 5 years*; or
- 8) The Beneficiary 's R&I costs represent at least 10% of its total operating costs in at least one of the three preceding years*, or in the case of an enterprise without any financial history, as per its current financial statements; or
- 9) The Beneficiary is a Mid-cap and its R&I costs represent:
 - (i) at least 15% of its total operating costs in at least one of the three preceding years*; or
 - (ii) at least 10% per year of its total operating costs in the three preceding years ;* or
- 10) The Beneficiary has incurred R&I expenses qualified in the past 36 months by competent national or regional bodies or institutions as part of general support measures approved by the European Commission and designed to incentivize companies to invest in R&I, provided that i) such body or institution is independent of the Financial (Sub-) Intermediary and the Beneficiary and ii) the Beneficiary Transaction covers incremental expenditure as indicated in the Beneficiary's business plan and iii) the Beneficiary Transaction is not covering the same eligible costs already supported by aforementioned measures;* or
- 11) The Beneficiary has been designated in the past 36 months as an innovative company by an EU or national or regional institution or body, provided that in each case:
 - a) The designation is based on the publicly available criteria where such criteria:
 - Shall not be limited to or otherwise favour any particular industry or sector, and

- Shall reflect at least one of the Innovation and Digitalisation Eligibility Criteria except the Innovation and Digitalisation Eligibility Criterion referred to in item d(4) or shall reflect the substance of at least one of these criteria but shall not be less stringent; and

b) The body or institution is independent of the Financial (Sub-) Intermediary and the Beneficiary; and

c) The Beneficiary Transaction covers incremental expenditure as indicated in the Beneficiary's business plan.

(e) The Beneficiary intends to use the Beneficiary Transaction to invest in digitalisation of at least one of the following areas:

1) Expanding or transforming of existing business models or creating new business models; or

2) Introducing or enhancing digitalisation in supply chain management, including but not limited to interaction with suppliers, inventory management and participation in the supply chain of corporates or larger businesses ; or

3) Enhancement in products or services or processes by integrating digital technologies in the business processes of the company, including the design, development or delivery to customers,; or

4) Customer relationship management, including enhanced customer feedback systems or digital marketing capabilities; or

5) Business development and customer acquisition, including but not limited to via expansion to new markets, geographies or type of customers; or

6) Security of data or increasing business resilience against threats of cyberattacks; or

7) Integration of any of the innovative deep technologies (artificial intelligence, blockchain, drones and robotics, biotechnology, photonics, electronics advanced materials and quantum computing), in the operations of the Beneficiary; or

8) Development of digital skills and training of new or existing employees in digital technologies or management of business in digital world.

* on the date of the Beneficiary's application for a Beneficiary Transaction

2. Beneficiary eligibility criteria

Beneficiaries shall comply with each of the following eligibility criteria:

- a) The Beneficiary shall be an unlisted SME or an unlisted Mid-cap without prejudice to the possibility for such companies to be quoted on an alternative trading platform, as defined in Article 4(1)(15) of Directive 2004/39/EC, where the majority of the financial instruments admitted to trading are issued by SMEs or Mid-caps;
- b) The Beneficiary shall not be a “firm in difficulty” within the meaning of the General Block Exemption Regulation¹¹;
- c) Where a Beneficiary Transaction purpose is a business transfer:
 - 1) The Beneficiary Transaction must be combined with new capital representing at least 50% of the nominal amount of the Beneficiary Transaction, and
 - 2) The Beneficiary shall qualify as an SME or a Mid-cap as a result of such transfer and Beneficiary shall either:
 - (i) comply with at least one of the Innovation and Digitalisation eligibility criteria listed in paragraph 1 above; or
 - (ii) undertake to use the Beneficiary Transaction for the acquisition of an enterprise, which shall comply with at least one of the Innovation and Digitalisation eligibility criteria listed in paragraph 1 above.
- d) The Beneficiary enters into a Beneficiary Transaction (i) on its own behalf or (ii) on the behalf of one or more of its partner or linked enterprises in the meaning of the Commission Recommendation, where at least one of such enterprises complies with one or more of the Innovation and Digitalisation eligibility criteria listed in paragraph 1, provided that the criteria listed in paragraph 1(b), 1(d)(1) and 1(d)(2) shall be assessed at the group level;
- e) The Beneficiary shall be established in at least one Participating Country;
- f) The Beneficiary shall not be established in a Non-Compliant Jurisdiction, unless the Beneficiary Transaction is physically implemented in the relevant Non-Compliant Jurisdiction and does not present any indication that it supports actions that contribute to targeted activities;
- g) The Beneficiary shall not have a substantial focus on one or more EIF Restricted Sectors (which determination shall be made 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 Beneficiary);
- h) The Beneficiary shall not, to the best of its knowledge, be in any Condition of Exclusion**,
- i) The Beneficiary shall not be a Sanctioned Person,

¹¹ COMMISSION REGULATION (EU) No C(2014) 3292/3 of 21 May 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

- i) The Beneficiary shall not perform any R&I activities, which are related to: illegal activities according to the applicable legislation of the Beneficiary's country, including any applicable EU legislation, including the Charter of Fundamental Rights of the European Union, or R&I Excluded Activities**.

** This eligibility criterion shall be deemed to be met based on undertakings or representations by the Beneficiary.

3. Beneficiary Transaction eligibility criteria

Beneficiary Transactions shall comply with each of the following eligibility criteria:

- a) The Beneficiary Transaction shall be newly originated,
- b) The Beneficiary Transaction shall be entered into by the Financial Intermediary (or On-Lending Bank, as applicable) by the end of the Inclusion Period.
- c) The purpose of the Beneficiary Transaction shall be (1) an investment in tangible or intangible assets, (2) working capital, including Bridge Finance, or (3) business transfers.
- d) The Beneficiary Transaction shall not be in the form of an equity or a Quasi-Equity Transaction.
- e) If the Beneficiary Transaction is subordinated debt, it shall be in the form of Subordinated Beneficiary Transaction.
- f) If the Beneficiary Transaction is a Subordinated Beneficiary Transaction, the Beneficiary shall be a SME or a Small Mid-cap.
- g) If the Beneficiary Transaction is a lease, it shall be in the form of Finance Lease.
- h) If the Beneficiary Transaction is a bond, it shall be in the form of a Mini Bond.
- i) The amount committed by the Financial Intermediary (or the On-Lending Bank, as applicable) under the Beneficiary Transaction shall not be lower than the equivalent of EUR 25,000, other than (i) as a result of a Permitted Beneficiary Transaction Amendment, or (ii) in the case where the Beneficiary Transaction satisfies the Innovation and Digitalisation eligibility criterion (e).
- j) The amount committed by the Financial Intermediary (or the On-Lending Bank, as applicable) under the Beneficiary Transaction shall not exceed the equivalent of EUR 7.5 million, or such lower amount as specified in the relevant Guarantee Agreement following EIF's risk assessment.
- k) The Beneficiary Transaction shall have a fixed repayment schedule or be a Revolving Beneficiary Transaction.
- l) The minimum contractual maturity of the Beneficiary Transaction shall be twelve (12) months unless taking the form of Bridge Finance, which shall have a minimum contractual maturity of six (6) months.

	<p>m) Other than as a result of a Permitted Beneficiary Transaction Amendment, the maximum contractual maturity of a Beneficiary Transaction, other than a Revolving Beneficiary Transaction, shall not exceed ten (10) years rounded down to the nearest full calendar quarter or such shorter period as specified in the relevant Guarantee Agreement following EIF's risk assessment, including the relevant grace period if any (referred to as the 'Maximum Beneficiary Transaction Maturity').</p> <p>n) The maturity of a Revolving Beneficiary Transaction shall not exceed six years (rounded down to the nearest full calendar quarter) (referred to as the 'Maximum Revolving Beneficiary Transaction Maturity').</p> <p>o) In the case of SME Transactions and Small Mid-cap Transactions, the customary risk spread applicable to the relevant Beneficiary Transaction included in the Portfolio shall be reduced by the level of the Financial Benefit, if any, as specified in the Guarantee Agreement.</p> <p>p) The Beneficiary Transaction shall not finance Illegal Activities or artificial arrangements aimed at tax avoidance.</p> <p>q) The Beneficiary Transaction shall not be affected by an Irregularity or fraud.</p> <p>r) The documents governing Beneficiary Transactions are legal, valid, binding and enforceable under applicable law.</p> <p>4. Portfolio Eligibility Criteria</p> <p>Where the Financial Intermediary includes Large Mid-cap Transactions in any Portfolio covered under the Facility, the total aggregate amount of such transactions included in all the Portfolios of the same Financial Intermediary covered under the Facility shall not exceed the higher of:</p> <p>(a) EUR 30 (thirty) million (or, if the Base Currency is not EUR, an equivalent in such Base Currency); and</p> <p>(b) An amount which is the lower of: (i) 15% of the aggregate Maximum Portfolio Volume across all Portfolios of the same Financial Intermediary covered under the Facility, and (ii) EUR 100 (one-hundred) million (or, if the Base Currency is not EUR, an equivalent in such Base Currency).</p> <p>Further requirements may be specified in the Guarantee Agreement, following EIF's internal assessment.</p> <p>With respect to each Beneficiary Transaction included in the Portfolio, the Financial Intermediary shall be required to retain appropriate records evidencing the fulfilment of the eligibility criteria by Beneficiaries under Beneficiary Transactions included in the Portfolio, including any undertakings or representations made thereunder.</p>
<p>Conditions of Exclusion</p>	<p>Means the Financial Intermediary (and the On-Lending Banks, if applicable) or a Beneficiary, as the case may be, is in any of the following situations:</p> <p>(a) it is bankrupt, is subject to insolvency or is being wound up, is having its affairs administered by a liquidator or by the courts, in this context, is in an arrangement with creditors, is having its business activities suspended or a standstill (or equivalent) agreement has been signed with creditors and validated by the competent court when required by the</p>

applicable law, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

(b) in the past five (5) years, it has been the subject of a final judgment or final administrative decision for being in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law and where such obligations remain unpaid unless a binding arrangement has been established for payment thereof;

(c) in the past five (5) years, it or any of the persons having powers of representation, decision-making or control over it has been convicted by a final judgment or a final administrative decision for grave professional misconduct, where such conduct denotes wrongful intent or gross negligence, which would affect its ability to implement the Guarantee and which is for one of the following reasons:

(i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract or an agreement;

(ii) entering into agreements with other persons aimed at distorting competition;

(iii) attempting to unduly influence the decision-making process of the contracting authority during the relevant "award procedure" as such term is defined in Article 2 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 (the "**Financial Regulation**");

(iv) attempting to obtain confidential information that may confer upon it undue advantages in the relevant "award procedure" as such term is defined in Article 2 of the Financial Regulation;

(d) in the past five (5) years, it or persons having powers of representation, decision-making or control over it has been the subject of a final judgment for:

(i) fraud;

(ii) corruption;

(iii) participation in a criminal organisation;

(iv) money laundering or terrorist financing;

(v) terrorist offences or offences linked to terrorist activities, or inciting, aiding, abetting or attempting to commit such offences;

(vi) child labour and other forms of trafficking in human beings;

(e) if it is the Intermediary, it is subject to a decision on exclusion, or if it is a Beneficiary, it is under the published list of economic operators excluded or subject to financial penalty,

	<p>in each case contained in the early detection and exclusion system database (the EDES database available at the official website of the EU) set up and operated by the Commission,</p> <p>provided that the EIF may decide not to apply any of the items above if it is satisfied that the relevant entity has adopted remedial measures to demonstrate its reliability, or that an exclusion would be disproportionate taking into account the circumstances.</p>
Beneficial Ownership	<p>Means the ultimate ownership or control of a person according to the definition of “beneficial owner” set out:</p> <p>(a) In relation to the Intermediary, in article 3(6) of Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (as amended, supplemented or restated, the “AML Directive”), it being specified that, for the purposes of the Guarantee, the applicable threshold of beneficial ownership is set at 10%; and</p> <p>(b) In relation to the Beneficiaries, (i) if the Financial Intermediary is established in the European Union, in the AML Directive, it being specified that, for the purposes of the Guarantee, the threshold of beneficial ownership is the threshold set under the applicable laws or regulations implementing said Directive, or (ii) if the Financial Intermediary is established outside of the European Union, in the Financial Action Task Force recommendations and standards (as amended, supplemented or restated), it being specified that, for the purposes of the Guarantee, the threshold of beneficial ownership is set at 25%.</p>
Illegal Activities	<p>Means any of the following illegal activities or activities carried out for illegal purposes: tax evasion, tax fraud, fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism or any other illegal activity, that may affect the financial interests of the EU, according to applicable laws.</p>
Irregularity	<p>Means any infringement of a provision of EU law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the EU or budgets managed by it, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Union, or by charging an unjustified item of expenditure.</p>
Sanctioned Person	<p>Means any person who is a designated target of Sanctions or is otherwise a subject of Sanctions.</p>
Sanctions	<p>Means any restrictive measures adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.</p>
R&I Excluded Activities	<p>Means the following fields of research:</p> <p>(a) research activity aiming at human cloning for reproductive purposes;</p> <p>(b) research activity intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of the gonads);</p> <p>(c) research activity intended to create human embryos solely for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer;</p> <p>(d) research activity that is prohibited in all the Member States;</p>

	(e) research activity in a Participating Country that is forbidden in that Participating Country or in the country in which the Beneficiary or the Financial Intermediary (and the On-Lending Banks, if applicable), as applicable, is established.
Permitted Beneficiary Transaction Amendment	Means any amendment which purpose is to improve the collectability of the claims under the relevant Beneficiary Transaction and which is made according to the Financial Intermediary's (or when applicable, the On-Lending Bank's) credit policy.
EIF Restricted Sectors	<p>a. 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. Human cloning for reproduction purposes is considered an Illegal Economic Activity in the context of these Restricted Sectors guidelines.</p> <p>b. Tobacco and Distilled Alcoholic Beverages The production of and trade in tobacco and distilled alcoholic beverages and related products.</p> <p>c. 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.</p> <p>d. Casinos Casinos and equivalent enterprises.</p> <p>e. IT Sector Restrictions Research, development or technical applications relating to electronic data programs or solutions, which (i) aim specifically at: (a) supporting any activity included in the EIF Restricted Sectors referred to under a to d above; (b) internet gambling and online casinos; or (c) pornography, or which (ii) are intended to enable to illegally: (a) enter into electronic data networks; or (b) download electronic data.</p> <p>f. Life Science Sector Restrictions 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"), EIF will require from the EIF counterpart 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 EIF Restricted Sectors shall be set as of the date of the Guarantee Agreement.</p>
Finance Lease	Means, unless otherwise specified in the specific terms of the Guarantee Agreement, any 'hire-purchase' or a lease contract where substantially all risks and rewards from the leased asset(s) accrue to the Beneficiary.

Mini Bond	Means a bond either issued by a Beneficiary and subscribed to by the Financial Intermediary (and the On-Lending Banks, if applicable) or purchased on issuance by the Financial Intermediary from the Beneficiary.
Exclusion Process	<p>At any time, the EIF may verify whether a Beneficiary Transaction included in the Portfolio is an eligible Beneficiary Transaction and whether its inclusion in the Portfolio is in compliance with the terms of the Guarantee.</p> <p>If a Financial Intermediary (or On-Lending Bank, as applicable) becomes aware that a Beneficiary Transaction is or becomes a non-eligible Beneficiary Transaction or any other undertakings, requirements or requests of the Guarantee are not complied with or satisfied in connection with such Beneficiary Transaction the Financial Intermediary shall include such information in the immediately following Report delivered to the EIF.</p> <p>If a Beneficiary Transaction does not comply with Eligibility Criteria it shall be deemed to be excluded from the Portfolio (and shall not be covered by the Guarantee) as of the date on which it became a non-eligible Beneficiary Transaction.</p> <p>However if an eligible Beneficiary Transaction is or becomes a non-eligible Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary after a payment demand relating to such Beneficiary Transaction was served by the Financial Intermediary to the EIF such transaction shall be deemed to be covered by the Guarantee.</p> <p>Similarly if an eligible Beneficiary Transaction becomes a non-eligible Beneficiary Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary but before a payment demand relating to such Beneficiary Transaction was served by the Financial Intermediary to the EIF, then such Beneficiary Transaction shall be deemed to be covered by the Guarantee if the Financial Intermediary accelerated payment of all amounts owed to it under such Beneficiary Transaction (or procured that all amounts owed to the relevant On-Lending Bank shall be accelerated) no later than on the Report Date immediately following the date on which it became aware of the same. However if the Financial Intermediary (or On-Lending Bank, if applicable) is entitled to accelerate the Beneficiary Transaction but does not do so within the timeframe specified above, then this Beneficiary Transaction shall be excluded from the Portfolio as of the date on which it became a non-eligible Beneficiary Transaction.</p> <p>If an eligible Subordinated Beneficiary Transaction is or becomes a non-eligible Transaction as a result of any event or circumstance beyond the control of the Financial Intermediary and the Financial Intermediary (or On-lending Bank, if applicable) was prevented from acceleration of all amounts owed to it under such Beneficiary Transaction (either by contract or application of the mandatory laws and regulations) to the EIF such transaction shall be deemed to be covered by the Guarantee.</p> <p>The Actual Portfolio Volume shall be reduced following an exclusion from the Portfolio by the aggregate committed principal amount of the Beneficiary Transactions so excluded.</p>
Right of Clawback by the EIF	EIF will be entitled to be repaid by the Financial Intermediary certain amounts in specified circumstances, including any amounts paid under the Guarantee by the EIF in excess of the Defaulted Amounts, any excess amount paid by EIF as a result of an exclusion of a Beneficiary Transaction from the Portfolio.
Adjustment of the Actual Portfolio Volume	<p>In respect of each Beneficiary Transaction included in the Portfolio, if on the date which is (such date, the “Adjustment Date”):</p> <ol style="list-style-type: none"> 1. the end of a disbursement period (when amounts cease to be available for utilisation by a Beneficiary),

	<p>2. the date on which the commitment made available for utilisation under Beneficiary Transaction is cancelled,</p> <p>but in any case no later than on the Termination Date the committed amount of principal has not been fully drawn by a Beneficiary (in the case of the Revolving Beneficiary Transaction meaning that the aggregate of drawdown amounts is less than the Credit Limit Amount thereunder), the Actual Portfolio Volume shall be reduced to reflect the actual amount of principal drawn by the relevant Beneficiary. The Financial Intermediary shall reflect any such adjustment in the Report immediately following such Adjustment Date.</p> <p>If the Actual Portfolio Volume is adjusted pursuant to this section or section Exclusion Process as described above (the amount of reduction of the Actual Portfolio Volume, the "Adjusted Portion"), the Financial Intermediary may include one or more further eligible Beneficiary Transactions in the Portfolio up to the aggregate of Adjusted Portions and to extent that the Actual Portfolio Volume does not exceed the Agreed Portfolio Volume and if such inclusions are made until the earlier of (i) 31 December 2022 and ii) the third Report Date following the Adjustment Date or the date when a Party has been effectively notified that the Beneficiary Transaction shall be an Excluded Beneficiary Transaction.</p> <p>The replacements shall be made pursuant to the terms described in the Inclusion Period section above.</p>
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Miscellaneous

<p>Servicing and Recoveries</p>	<p>The Financial Intermediary (and the relevant On-Lending Bank, if applicable) shall perform the servicing of the Portfolio, including monitoring and recovery actions, in accordance with its internal guidelines and procedures.</p> <p>The Financial Intermediary (and On-Lending Bank, as applicable) shall take recovery actions (including the enforcement of any security) in relation to each defaulted Beneficiary Transaction in accordance with its internal guidelines and procedures.</p> <p>Recoveries¹² mean each and every amount, net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary (or relevant On-Lending Bank, as applicable), including by way of set-off, in respect of Defaulted Amounts. Recoveries shall be shared between the Guarantor and the Financial Intermediary pro rata to the Guarantee Rate.</p> <p>The Financial Intermediary (and relevant On-Lending Bank, if applicable), acting in good faith and in commercially reasonable manner may determine at any time in accordance with its internal guidelines and recovery procedures that the recovery period for the relevant defaulted Beneficiary Transactions shall be terminated.</p> <p>The Financial Intermediary shall send to the EIF at any relevant time, but not later than 30 days of the end of each calendar quarter a recovery notice with accompanying Recoveries schedule and shall pay to the EIF any relevant amount,</p>
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¹² In relation to Beneficiary Transactions which are financial leases, "Recoveries" means each and every amount (including, in case assets leased to a Beneficiary are repossessed by the Financial Intermediary (i) any amount received by the Financial Intermediary as a result of the sale of such assets, and/or (ii) in case such assets are released, the purchase price of such assets agreed with the new lessee), net of recovery and foreclosure costs (if any), recovered or received by the Financial Intermediary in respect of Defaulted Amounts, where the Guarantor has paid amounts under the Guarantee in respect of such Defaulted Amounts.

	within three months of the end of each calendar quarter in which Recoveries are recovered or received by the Financial Intermediary (or relevant On-Lending Bank, if applicable).
Reporting	Financial Intermediaries shall provide the EIF within 30 calendar days ¹³ after the end of each calendar quarter (the ' Report Date ') with quarterly information in a standardised form (see reporting schedules published on EIF's website). Other reporting may be required from the Financial Intermediary as per specific schedule to the Guarantee Agreement ¹⁴ .
Publishing Beneficiaries' information ¹⁵	The EIF will publish from time to time on its website, the name of each Beneficiary, its address (for natural persons NUTS II information only), the country of its establishment and the type of support received under the Facility, unless: <ul style="list-style-type: none"> (a) the guaranteed portion of a principal amount of the Beneficiary Transaction is lower than <i>EUR 500,000</i> or equivalent, (b) it would be illegal under the applicable laws and regulations, or (c) prior to receiving financial support under the Beneficiary Transaction, the Beneficiary informs the Financial Intermediary in writing that: (i) the publication requirement risks harming its commercial interests, (ii) it risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union, or (iii) the Beneficiary is a natural person who objects to publication. <p>The Financial Intermediary must inform the EIF, in the form of a report to be provided to the EIF on an annual basis, of the Beneficiaries covered in items (c)(i) and (c)(ii) above. In the context of the Commission's controlling and monitoring activities only, the Financial Intermediary acknowledges and agrees, and shall procure that each Beneficiary acknowledges and agrees, that the Commission may directly request further explanations from the Financial Intermediary or Beneficiary in case of objection to the publication as set out in (c)(i) and (c)(ii) above.</p>
Monitoring and Audit	Financial Intermediaries (and On-Lending Banks, if applicable) and the relevant Beneficiaries covered by the Guarantee shall agree to allow and to provide access to documents and premises related to the relevant Guarantee for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the European Public Prosecutor's Office (EPPO) as applicable, the European Court of Auditors, EIF, agents of EIF, EIB and any other European Union institution or European Union body which is entitled to verify the use of the Guarantee and any other duly authorized body 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 the Beneficiary.
Compliance with Laws	Financial Intermediaries (and the On-Lending Banks, if applicable) shall comply in all respects with all applicable laws and regulations (whether national laws and regulations or laws and regulations of the European Union), including, but not limited, to state aid and procurement rules, the breach of which may (i) adversely impact the performance of the Guarantee Agreement or (ii) adversely prejudice the

¹³ Financial Intermediaries shall provide EIF such information within 20 calendar days with respect to information related to the last calendar quarter of each year.

¹⁴ Financial Intermediaries might be requested to provide a certain degree of information on the R&I content of the Beneficiary Transactions, which will be considered as "show cases".

¹⁵ EIF shall also publish the information on the Financial Intermediaries and On-Lending Banks as detailed in the section 8 of the Open Call for expression of interest.

	<p>interests of the EIF, the European Commission or the EIB under the Guarantee Agreement.</p> <p>In addition, it shall include in the documentation evidencing the Beneficiary Transactions (and (if applicable) the transactions with the On-Lending Banks), (x) undertakings from the Beneficiaries (and the On-Lending Banks, if applicable) equivalent to those contained above and (y) any representations, warranties and undertakings from the Beneficiaries for the purpose of ensuring that each Beneficiary Transaction included in the Portfolio complies at any relevant time with the Eligibility Criteria.</p> <p>The Financial Intermediary shall comply with the relevant international and EU standards and legislation, where applicable, on the prevention of money laundering, the fight against terrorism, tax fraud, tax evasion and 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 of the Beneficiaries.</p> <p>The EIF Anti-Fraud Policy, the EIB Group Policy towards Weakly Regulated, Non-transparent and Non-cooperative Jurisdictions and Tax Good Governance, the EIF Transparency Policy and the Guidelines on EIF Restricted Sectors, shall apply in the context of this Guarantee and the transactions related thereto.</p> <p>The Financial Intermediary (and the On-Lending Banks, if applicable) shall make the funding to each Beneficiary contingent upon the disclosure to the Financial Intermediary of information on the Beneficial Ownership of such Beneficiary.</p>
Sanctions Undertakings	<p>The Financial Intermediary shall, and, if applicable, shall procure that each On-Lending Bank will, not use the funds or economic resources made available by the EIF in any manner that would result in such funds or economic resources being made available to, or for the benefit of, a Sanctioned Person.</p> <p>The Financial Intermediary shall ensure that no person that is a Sanctioned Person will have any legal or beneficial interest in any funds repaid or remitted by the Financial Intermediary to the EIF in the context of the Guarantee.</p> <p>Promptly upon becoming aware, the Financial Intermediary shall supply to the EIF, and, if applicable, shall procure that each On-Lending Bank promptly upon becoming aware, supplies to the Financial Intermediary, details of any claim, action, suit, proceedings or investigation with respect to Sanctions against it, an On-Lending Bank (if applicable) or a Beneficiary under a Beneficiary Transaction.</p>
Beneficial Ownership	<p>The Financial Intermediary shall disclose to EIF information on its Beneficial Ownership and, at any time thereafter, promptly inform it of any change in its Beneficial Ownership.</p>
Publicity	<p>Financial Intermediaries shall use their reasonable efforts to carry out marketing and publicity campaigns, including through their website, aimed at making the Facility known to potential Beneficiaries in the relevant jurisdiction.</p> <p>Financial Intermediaries shall ensure that agreements governing the Beneficiary Transaction any press release, any publication the Financial Intermediaries may choose to make on their website, will contain the following wording (in the relevant language) "<i>[Beneficiary Transaction agreement] is supported by the InnovFin SME Guarantee facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments</i>". In case the agreement is also provided by EFSI, the following wording shall be added (in the relevant language) "<i>and the European Fund for Strategic Investments (EFSI) set up under the Investment Plan for Europe. The purpose of EFSI is to help support financing and implementing productive investments in the European Union and to ensure increased access to financing.</i>"</p>

	If the Financial Intermediary chooses alternative ways of communication with regard to the Guarantee or the Beneficiary Transaction, the same visibility requirements shall apply, whenever possible.
Risk Retention	The Financial Intermediary shall (and, if applicable, shall procure that each On-Lending Bank will) maintain at all times an economic exposure of at least 20% of the outstanding principal amount of each Beneficiary Transaction included in the Portfolio.
Transfer	The Financial Intermediary shall not be entitled to assign or transfer any of its rights or obligations under the Guarantee Agreement without the prior written consent of the EIF.

SUBORDINATED DEBT SCHEDULE

The terms set out in the main body of this term sheet apply to Subordinated Beneficiary Transactions except for the following terms:

<p>Subordinated Beneficiary Transaction</p>	<p>means:</p> <p>(1) a Beneficiary Transaction, which is an SME Transaction or Small Mid-cap Transaction:</p> <p>(a) in which the rights of the Financial Intermediary are subordinated (rank junior) to the rights of senior secured or unsecured creditors of the Beneficiary; and</p> <p>(b) in which the rights of the Financial Intermediary rank: (i) at least pari passu with the rights of other holders of subordinated debt of the Beneficiary and (ii) senior to the rights of any holder of equity in the Beneficiary; and</p> <p>(c) which is not Quasi-Equity, or</p> <p>(2) a Beneficiary Transaction in which financing is provided through the Beneficiary to a partner or linked enterprise of the Beneficiary:</p> <p>(a) in which the rights of the Beneficiary are subordinated (rank junior) to the rights of senior secured or unsecured creditors of the partner or linked enterprise; and</p> <p>(b) in which the rights of the Beneficiary rank: (i) at least pari passu with the rights of other holders of subordinated debt of the partner or linked enterprise and (ii) senior to the rights of any holder of equity in the partner or linked enterprise; and</p> <p>(c) which is not Quasi-Equity.</p> <p>For the avoidance of doubt, a holder of debt shall not be considered subordinated solely because its rights rank junior to the rights of creditors, such as tax authorities, that are given statutory priority over ordinary senior debt.</p>
<p>Quasi-Equity</p>	<p>means any of the following:</p> <p>(a) a debt agreement which provides that any amount of debt may be converted into equity at a pre-determined price either at the option of the borrower or lessee or by operation of law; or</p> <p>(b) a debt agreement which provides that any amount of debt will be cancelled or forgiven following a restructuring or write-down event; or</p> <p>(c) a profit and loss participation instrument or other agreement that exposes the investor to the profit and loss of the counterparty; or</p> <p>(d) a debt agreement in which the rights of the investor are subordinate (rank junior) to the rights of any holder of subordinated debt of the borrower or lessee. (For the avoidance of doubt, a holder of debt shall not be considered subordinated solely because its rights rank junior to the rights of creditors, such as tax authorities, that are given statutory priority over ordinary senior debt.)</p>
<p>Defaulted Amount</p>	<p>means:</p> <p>(i) any initial principal amount and interest amount which accrued up to a period of 90 days due, payable and outstanding following the occurrence of either a Beneficiary Transaction Default or a Beneficiary Transaction Acceleration,</p> <p>(ii) subject to the restriction below, any interest amount not covered under (i) above which has been accrued, deferred or capitalized pursuant to the terms of the Subordinated Beneficiary Transaction (“Permitted Additional Interest”) and is due, payable and outstanding following the occurrence of either a Beneficiary Transaction Default or a Beneficiary Transaction Acceleration, and</p>

		<p>(iii) any reduction in the initial principal amount and interest amounts following a Beneficiary Transaction Restructuring,</p> <p>provided that the term "Defaulted Amount" shall not include any late payment or default interest, fees, costs or expenses.</p> <p>Indicatively, the amount of Permitted Additional Interest should not exceed 20% of the initial principal amount of the Subordinated Beneficiary Transaction.</p> <p>The EIF will rank <i>pari passu</i> with Financial Intermediaries and On-Lending Banks with respect to Recoveries.</p>
Beneficiary Transaction Default		<p>means, unless otherwise specified in the Guarantee Agreement, that a Beneficiary has failed to meet any payment obligation under the relevant Subordinated Beneficiary Transaction as at the date of the contractual maturity of the Subordinated Beneficiary Transaction (including as a result of any amendment to the terms of such Subordinated Beneficiary Transaction) or is subject to formal bankruptcy or insolvency proceedings.</p>
Beneficiary Transaction Acceleration		<p>means, unless otherwise specified in the Guarantee Agreement, the occurrence of an event of default (howsoever defined) under such Subordinated Beneficiary Transaction which has entitled the Financial Intermediary (or On-Lending Bank, as applicable) to accelerate payment of any amounts owed to it and the Financial Intermediary (or On-Lending Bank, as applicable) has exercised such right of acceleration.</p>
Beneficiary Transaction Restructuring		<p>means, unless otherwise specified in the Guarantee Agreement, that the Financial Intermediary (or On-Lending Bank, as applicable), acting in a commercially reasonable manner and in accordance with its standard internal procedures, agrees to the restructuring of such Subordinated Beneficiary Transaction such that the amount of principal or interest scheduled to be paid by the relevant Beneficiary is reduced, in order to improve the collectability of the claims arising from the relevant Subordinated Beneficiary Transaction.</p>
Guarantee Fee Percentage		<p>The Guarantee Fee Percentage with respect to a Subordinated Beneficiary Transactions shall be:</p> <ol style="list-style-type: none"> a) 1% per annum with respect to an SME Transaction, b) 1.3% per annum with respect to a Small Mid-Cap Transaction.
Guarantee Fee Amount		<p>The Guarantee Fee Amount will be expressed in the Base Currency and payable by the Financial Intermediary to the EIF, with respect to each Subordinated Beneficiary Transaction included in the Portfolio, on a quarterly basis, calculated as the sum of the product, for each Subordinated Beneficiary Transaction, of:</p> <ol style="list-style-type: none"> a) the appropriate Guarantee Fee Percentage divided by 360; and b) the sum of the outstanding principal amount and Permitted Additional Interest of a Subordinated Beneficiary Transaction on each day during the calendar quarter on which the Subordinated Beneficiary Transaction was a Performing Beneficiary Transaction; and c) the Guarantee Rate. <p>The upfront payment of the Guarantee Fee shall not be available with respect to any Portfolio that includes Subordinated Beneficiary Transactions.</p> <p>The Guarantee Fee is non-refundable. However, if the Financial Intermediary becomes aware that one or more Subordinated Beneficiary Transactions are non-eligible Transactions and, by not later than the second Report Date following the calendar quarter on which such Subordinated Beneficiary Transaction(s) were included in the Portfolio, causes such non-eligible Subordinated Beneficiary Transaction(s) to be removed from the Portfolio, then the EIF shall repay the portion</p>

		of the Guarantee Fee which relates to such excluded Subordinated Beneficiary Transaction.
Agreed Portfolio Volume		<p>The Agreed Portfolio Volume is the maximum aggregate amount of principal (excluding any Permitted Additional Interest) of newly originated eligible Beneficiary Transactions (the relevant amount for a Revolving Beneficiary Transaction being the Credit Limit Amount) to be included in the Portfolio, as agreed in the Guarantee Agreement.</p> <p>The Agreed Portfolio Volume will correspond to a percentage of the Maximum Portfolio Volume and shall be denominated in the Base Currency, regardless of the denomination of the Beneficiary Transactions included in the Portfolio.</p> <p>At any time during the Inclusion Period, the Agreed Portfolio Volume may be reduced by agreement between the EIF and the Financial Intermediary if the Financial Intermediary materially lags behind its Portfolio ramp up time schedule as reflected in the Guarantee Agreement.</p> <p>At any time during the Inclusion Period, the EIF may agree with the Financial Intermediary to increase the amount of the Agreed Portfolio Volume up to an amount specified in the Guarantee Agreement, (such amount being the Maximum Portfolio Volume) if the ramp-up of the Portfolio has been substantially achieved or, considering the facts and circumstances, is certain to be achieved well before the end of the Inclusion Period.</p>
Actual Portfolio Volume		<p>Expressed in the Base Currency, the aggregate amount of the principal committed (excluding any Permitted Additional Interest) to be available under newly originated eligible Beneficiary Transactions (the relevant amount for a Revolving Beneficiary Transaction being the Credit Limit Amount) included in the Portfolio from time to time, provided that, for the avoidance of doubt:</p> <ul style="list-style-type: none"> i) if any eligible Beneficiary Transaction is prepaid or repaid, then this shall not reduce the Actual Portfolio Volume; and ii) if a Beneficiary Transaction is excluded from the Portfolio as a result of the exclusion process described below, then such Beneficiary Transaction shall not be taken into account for the calculation of the Actual Portfolio Volume. iii) The Actual Portfolio Volume may in no circumstances exceed the Agreed Portfolio Volume.
Upside		<p>If any financial gains other than principal, interest, or Permitted Additional Interest are realised in connection with a Beneficiary Transaction (including the proceeds from options, warrants, other equity instruments and performance fees), such gains shall be shared between the parties pursuant an agreement between the parties on a case by case basis and set out in the Guarantee Agreement. Such gains shall be reported and paid to EIF when realised.</p>