

Indicative Term Sheet

for the EGF Equity & Debt Funds Products

Product: Existing Funds Top-Up Facility (“TUF”)

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.

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1. Definitions

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

EIF EGF Investment	Means a commitment in any form entered into by EIF under EGF to invest in a Main Financial Intermediary or Side Financial Intermediary, as the case may be, excluding any commitments made by EIF from other resources managed or advised by EIF, if any.
Main Financial Intermediary	Investment funds and special purpose vehicles, in any form, established or to be established, that undertake long term risk capital investments in the form of equity, preferred equity, quasi-equity, hybrid debt-equity instruments (or other type of mezzanine financing), or any other debt financing.
Excluded Final Recipient	Means an i) entity that cannot benefit directly or indirectly from financing supported by EGF as a result of the application of the Guidelines on the EIF Restricted Sectors ¹ as amended from time to time or ii) a large corporate with more than 3000 full-time equivalent employees.
Target Final Recipient	A Final Recipient that is at the time of first financing by the Main Financial Intermediary: i) an SME, Small Mid-Cap or Mid-cap and ii) not an Excluded Final Recipient.
Follow-on Investment	A further investment in a Target Final Recipient already existing in the portfolio of the Main Financial Intermediary.
Final Recipients	Means an entity benefiting directly or indirectly (including inter alia through holding companies and, platforms and/or other funds and/or special purpose vehicles) from financing provided by the Financial Intermediary, which shall not be an Excluded Final Recipient.
SME	SME Means a micro, small or medium-sized enterprise as defined in Commission Recommendation 2003/361/EC (OJ L 124, 20.5.2003, p. 36), as amended from time to time.
Small Mid-Cap	Small Mid-Cap Means an entity with fewer than 500 full-time equivalent employees that is not an SME.
Targeted Activities	Mean (i) criminal activities such as money laundering, financing of terrorism, tax crimes (i.e. tax fraud and tax evasion); and (ii) tax avoidance practices.
Side Financial Intermediary	Means an investment fund, or a special purpose vehicle, in any form, established or to be established, for the sole purpose of undertaking one or more long term risk capital investments alongside a Main Financial Intermediary - or as a subsidiary vehicle of the Main Financial Intermediary - in the form of equity, preferred equity, quasi-

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

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	equity, hybrid debt-equity instruments (or other type of mezzanine financing), or any other debt financing.
-Mid-Cap	Mid-Cap Means an entity with fewer than 3000 full-time equivalent employees that is not a SME, nor a Small Mid-Cap.
Fund Agreement	Means, but is not limited to, the agreement whereby the EIF commits to invest under EGF in, or alongside, a Main Financial Intermediary or Side Financial Intermediary, as the case may be.
Minimum Allocation	A Main Financial Intermediary or Side Financial Intermediary, as the case may be, receiving EIF EGF Investment shall make direct or indirect investments in Target Final Recipients, and shall have invested or expect to invest at least the aggregate amount drawn down from the EIF EGF Investment for the purpose of investment directly or indirectly into Target Final Recipients operating in Participating Member States.
Non-Compliant Jurisdiction ("NCJ")	<p>Includes jurisdictions:</p> <ul style="list-style-type: none"> (i) listed in the Annex I of the Council of the European Union conclusions on the revised European Union list of non-cooperative jurisdictions for tax purposes, adopted by the Council of the European Union at its meeting held on 18 February 2020, and/or (ii) listed in the Annex of the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies, and/or (iii) rated as "partially compliant", "provisionally partially compliant" or "non-compliant" by the Organisation for Economic Cooperation and Development and its Global Forum on Transparency and Exchange of Information for Tax Purposes and/or (iv) included in the Financial Action Task Force "Public Statement" (i.e. countries or jurisdictions with such serious strategic deficiencies that the Financial Action Task Force calls on its members and non-members to apply counter-measures or for which the Financial Action Task Force calls on its members to apply enhanced due diligence measures), and/or (v) included in the Financial Action Task Force statement "Improving Global AML/CFT Compliance: On-Going process"(i.e. countries or jurisdictions with strategic weaknesses in their AML/CFT measures but that have provided a high-level commitment to an action plan developed with the Financial Action Task Force), and/or (vi) included in the OECD/G20 list of jurisdictions that have not satisfactorily implemented the tax transparency standards,. and/or

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	<p>in each case as such statement, list, directive or annex may be amended and/or supplemented from time to time</p> <p>Where the relevant support is not reserved for operations, projects or activities implemented in the same jurisdiction where the concerned Applicant is incorporated, the Applicant shall not be incorporated in or invest through a Non-Compliant Jurisdiction. Please refer to the EIB's website² for the most updated reference lists of Non-Compliant Jurisdiction or enquire with EIF for confirmation of Non-Compliant Jurisdiction status.</p>
Participating Member States	<p>Means the EU Member States that have individually entered into a contribution agreement with the EIB as required to formalise their adherence to EGF. Please refer to the following link for the list of Participating Member States (Annex X).</p>

1. Terms and objectives of EIF EGF Investment

Policy rationale and strategic objective	<p>The long-term impact on Target Final Recipients supported by Main Financial Intermediaries across Participating Member States will depend on the length and severity of the COVID-19 crisis. However, a number of Target Final Recipients are already very strongly affected and will continue to be impacted in the short- and medium-term. Due to specifics of the venture capital and private equity industry, these Target Final Recipients require dedicated and tailor-made equity-like support.</p> <p>The objective of this product is to primarily, but not exclusively, support Main Financial Intermediaries in EIF's portfolio which have limited or insufficient remaining undrawn capital to do Follow-on Investments. In some cases, the EIF via TUF can support existing Main Financial Intermediaries to complete new investments in Target Final Recipients in combination with Follow-on Investments or on a stand-alone basis (alongside or not the Main Financial Intermediary) as the case may be.</p>
Structure	<p>TUF will be structured through two deployment modalities as per below:</p> <ul style="list-style-type: none"> • <u>TUF 1 – Equity top-ups through Side Financial Intermediaries:</u> Such increased commitments are to be structured through Side Financial Intermediaries. These increased commitments will expand the ability of the Main Financial Intermediary to provide additional financing either through (i) Follow-on Investments and/or (ii) New investments in Target Final Recipients. As a general principle, investments shared between Side Financial Intermediaries and Financial Intermediaries will be done pari passu and at the same terms and conditions.

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

	<ul style="list-style-type: none"> • <u>TUF 2 – Preferred equity top-ups through the Main Financial Intermediary or Side Financial Intermediaries</u>: To provide additional resources, EIF shall subscribe to a top-up on more senior terms relative to existing investors in the Financial Intermediary. The investment will entitle EIF to a priority on future distributions (i.e. will be reimbursed in advance of existing investors) up to the amount of the Preferred equity top-up, a contractually agreed preferred return and potentially also upside participation (on top of the Preferred equity top-up).
Product requirements	<p><u>For TUF 1:</u></p> <ul style="list-style-type: none"> • EIF EGF Investment to be set subject to EIF internal risk scoring. • EIF will seek to promote the use of quasi-equity instruments for investments in Target Final Recipients given their less-dilutive nature and ability to defer the valuation setting. Use of quasi-equity instruments will provide for higher ranking of the resources invested through side vehicles in comparison to the typical equity financing provided by the main Financial Intermediaries in the same Target Final Recipients. • EIF will generally seek match-funding on the level of the Side Financial Intermediary or Target Final Recipient, as the case may be, between EIF EGF Investment under TUF 1 on one side and the Main Financial Intermediary plus third party investors on the other side. EIF can deviate from this rule depending on undrawn capital in the Main Financial Intermediary available for matching as well as availability of third-party investors. In any case, EIF EGF Investment will be structured to respect the restrictions outlined in Investor Base of the Financial Intermediary. In addition, the EIF will ensure that the following aspects are respected: <ul style="list-style-type: none"> ▪ <u>In case of Follow-on Investments</u>: Main Financial Intermediaries have to provide upfront a list of Target Final Recipients that will benefit from Follow-on Investments via the Side Financial Intermediary, which will be pre-agreed at the time of the Side Financial Intermediary set-up. Follow-on Investments will be permitted in Target Final Recipient that (i) had demonstrated positive growth trend in the 2019 financial year with an expectation for further growth as of 31 December 2019 or (ii) were not already underperforming as of 31 December 2019 either financially, e.g. as valued by the Main Financial Intermediary below cost, or operationally. EIF will seek to ensure strong alignment of interests with managers of Financial Intermediaries and investors in Financial Intermediaries to prevent adverse selection and minimize conflict of interests. ▪ <u>In case TUF 1 is used for completing new investments in Target Final Recipients</u> (alongside Follow-on Investments or on a stand-alone basis, as the case may be): the EIF would strive to prevent adverse selection and minimize

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	<p>conflict of interests between EIF EGF Investment, existing investors in the Financial Intermediary and the manager of the Financial Intermediary by pre-agreeing clear allocation rules between the Main Financial Intermediary and the Side Financial Intermediary for new investments in Target Final Recipients that should be accepted by all of the above mentioned parties.</p> <p>For TUF 2:</p> <ul style="list-style-type: none"> EIF EGF Investment, contractually agreed preferred return and upside participation to be set subject to EIF internal risk scoring, risk profile of the individual Financial Intermediary and asset coverage considerations (the ratio of Financial Intermediary's net asset value divided by the preferred equity top-up amount) as well as the capital The EIF will also ensure that the following aspects are respected: <ul style="list-style-type: none"> <u>In case of Follow-on Investments:</u> Financial Intermediaries have to provide upfront a list of Target Final Recipients that will benefit from Follow-on Investments, which are to be pre-agreed at the time of the EIF EGF Investment. <u>In case TUF 1 is used for completing new investments in Target Final Recipients</u> (alongside Follow-on Investments or on a stand-alone basis, as the case may be): EIF will seek to ensure strong alignment of interests with managers of Financial Intermediaries and investors in Financial Intermediaries.
Targeted stage	<p>In terms of stage, the facility is expected to focus more prominently on Target Final Recipients in one or more of the stages listed below:</p> <p><input checked="" type="checkbox"/> Pre-seed / Seed</p> <p><input checked="" type="checkbox"/> Start-up</p> <p><input checked="" type="checkbox"/> Growth and expansion, including expansion through, when necessary, financing for acquisition of a business, replacement / transition capital for growth (excluding strategies intended for asset stripping).</p>
Duration of EIF EGF Investment	<p>The manager of the Financial Intermediary shall not, without EIF's prior written consent, make or propose to investors in the Financial Intermediary to vote upon any amendments in order to extend the term of the Financial Intermediary beyond December 2036.</p>
Investor Base of the Financial Intermediary	<p>For TUF 1, at least 30% of total commitments to Side Financial Intermediaries or Final Recipients, as the case may be, excluding the EIF EGF Investment are made by independent private investment sources (as set forth below):</p> <ul style="list-style-type: none"> EIF/EIB own resources, invested at own risk and excluding public parts of mandates

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	<ul style="list-style-type: none"> • Financial institutions (investing at own risk and from own resources) • Private endowments & foundations Family offices & Business Angels (including joint investment vehicles set-up by/with Business Angels) • Corporate investors • Insurance companies • Pension funds • Private individuals • Academic institutions (including universities and public and private research institutions) • National promotional banks/institutions investing own resources, for their own risk, and on commercial terms • fund-of-funds provided that they invest exclusively on commercial terms and are managed or advised by a privately held asset manager, save that: <ul style="list-style-type: none"> - any fund-of-funds fully funded by state budget resources shall not be considered an independent private investment source; - where a fund-of-funds is partially funded by state budget resources, in pari passu with private resources invested on commercial terms, the investment made by such a fund-of-funds into a Fund or Side Fund shall be considered as an independent private investment source pro rata to the amounts invested by the fund-of-funds which are funded by private resources. <p>Other categories of investors may also be considered private investment sources (e.g. sovereign wealth funds or fund-of-funds) where the resources invested are generated by commercial activities and are invested on commercial terms.</p> <p>For the purpose of the above provisions, state budget resources shall include European Structural and Investment Funds.</p> <p>In assessing compliance with the above requirements, the EIF may rely on a declaration, representation or undertaking from the Side Financial Intermediary.</p> <p>For TUF 2, the EIF can provide the EIF EGF Investment funding up to the full preferred equity top-up.</p>
Approval Period	The EIF may approve EIF EGF Investment until 31 December 2021, unless otherwise extended by EGF governance body.
Requirements	<p>Financial intermediaries receiving EIF EGF Investment:</p> <ul style="list-style-type: none"> i. Shall not engage in activities incompatible with the Guidelines on the EIF Restricted Sectors;

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	<ul style="list-style-type: none"> ii. Shall not use EIF EGF Investment for a participation in any Excluded Final Recipients; iii. Shall not be established in a NCJ unless the operation is physically implemented in the relevant NCJ and does not present any indication that it supports actions that contribute to Targeted Activities. The EIF will provide relevant arrangements in order for the Financial Intermediary to transpose this requirement at the level of the Final Recipients; iv. Shall undertake to comply with applicable European Union law and agreed international and European Union standards and, therefore, not support actions that contribute to tax evasion or finance artificial arrangements aimed at tax avoidance. The EIF will provide relevant arrangements in order for the Financial Intermediaries to transpose this requirement at the level the Final Recipients; v. Shall acknowledge the EIF Anti-Fraud Policy which sets out the policy of EIF for preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing³ as amended from time to time, and shall take appropriate measures (as may be further specified in the relevant agreement) to (i) facilitate implementation of such policy as well as to (ii) undertake to support investigations performed by the EIF or the European Investment Bank, the EPPO, or the European AntiFraud (OLAF), or Court of Auditors (ECA) in connection with actual or suspected prohibited conduct.
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³ Please refer to: http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf