

INVESTMENT REGULATIONS

INNOVATIEFONDS NOORD-HOLLAND B.V.

version dated [**] 2019

adopted by decision of [**] 2019 by the
General Meeting of
Innovatiefonds Noord-Holland B.V. (INH BV),

with due regard to the General block exemption Regulation ("GBER")

[in the Provincial Bulletin ([year, no.]) of the province of Noord Holland, these investment regulations have been announced as a policy rule as defined by the General Administrative Law Act (Awb)]

Chapter 1 - General section

1 Explanation

1.1 The following definitions apply in these Investment Regulations:

Advisory Committee:	the independent INH BV advisory committee, as meant in Article 25 of the INH BV articles of association.
General Meeting:	the general meeting of INH BV.
Board:	the INH BV board.
Business plan:	the business plan of a Target Company as described in Article 3.4.
Conversion:	the conversion of a Loan into Risk Capital.
Divestment:	the transfer of a Loan to a third party (by means of debt assignment or contract takeover) or the whole or partial discharge from the obligation to repay a Loan or pay interest related to a Loan, or the disposal of Risk Capital issued to a Target Company.
Target Company:	(i) an SME to which INH BV provides Financing, or is considering doing so, which meets the terms and conditions in the Regulation for providing Financing to said Target Company or (ii) a company to which INH BV provides Financing, or is considering doing so, in accordance with market-standard terms and conditions.
Financing:	the provision of a convertible Loan for the purpose described in Article 3.1.
Fonds assets:	the assets of INH BV consist of: <ul style="list-style-type: none">(i) a nominal amount of EUR 21 million (in words: twenty-one million euros) at the time of the original adoption of these Investment Regulations;(ii) funds acquired<ul style="list-style-type: none">a. through revenue obtained from holding shares in a Target Company;b. through revenue obtained from the sale of shares in a Target Company;c. through revenue obtained from holding and disposing of Loans;(iii) financial resources that are awarded to INH BV at any time after the adoption of these Investment Regulations.
INH BV:	the private company with limited liability: Innovatiefonds Noord-

Holland B.V.

Investment Regulations: these regulations.

SME: an enterprise as meant in Article 2 of Appendix I to the Regulation.

Loan: loan capital that is used solely by INH BV as a convertible monetary loan to a Target Company for a maximum period of ten years with fixed agreements regarding conversion points, valuation, and possible discounts.

Suspension: the suspension of one or more financial obligations of a party resulting from a Loan to said party.

Project: the Project of a Target Company for which Financing has been/is being requested.

Province: the province of Noord Holland.

Risk Capital: equity capital that is provided to a Target Company through the acquisition of shares in said Target Company on the basis of Conversion.

TRL: Technology Readiness Levels. The model for subdividing in 9 phases the development process of an innovation (TRLs).

Regulation: Regulation (EU) no. 651/2014 of the European Commission of 17 June 2014 (OJEU (2014) L 187), in which certain categories of aid are declared to be compatible with the internal market on the basis of Articles 107 and 108 of the Treaty (the 'General block exemption Regulation' or GBER) or the regulation(s) operating in their stead, where the definitions listed in this Article 1.1 resulting from the Regulation shall be altered by force of law in accordance with the regulations operating in its stead.

1.2 References to articles always relate to articles in these Investment Regulations, unless reference is expressly made to another document.

2 General provisions

2.1 The aim of INH BV is to make available Financing to SMEs for the purpose of encouraging innovative and other projects that are (i) in the proof-of-concept phase (TRL 3 to 5), with direct contributions to the realisation of innovations and (ii) carried out by SMEs that are active on the territory of the province of Noord Holland. The Financing is targeted solely at the fulfilment of the project in question, for which the Loan is made.

- 2.2 INH BV provides Financing solely to a Target Company if:
- a. according to the project plan (of which the Business Plan also forms part) submitted by the applicant to INH BV in accordance with Appendix I:
 - (i) the proposed Financing produces financial and societal returns within (mostly) the territory of the province of Noord Holland;
 - (ii) the project for which the Financing is intended is in the proof-of-concept phase (TRL 3 to 5), with direct contributions towards the realisation of innovations;
 - (iii) the project for which the Financing is intended is located in the RIS-3 sectors, applied as starting point in the ERDF Kansen voor West Operational Programme II 2014-2020;
 - (iv) the Financing can be provided (a) under market-standard terms and conditions or (b) on the basis of the Regulation and, in particular, Articles 21, 22, 25, or 28 of the Regulation, as set out in more detail in Articles 4 to 7, below;
 - b. the Advisory Committee has issued a recommendation about the proposed Financing;
 - c. the probity requirements set by INH BV have been met. A Target Company shall be said not to meet said probity requirements if:
 - (i) the standards in the Public Administration (Probity Screening) Act are not met, even if said Act does not apply, which therefore means that the Target Company (and any other involved parties, such as shareholders) or the other counter parties of INH BV must meet the following requirements: (a) no breach of professional probity or professional integrity, (b) no serious errors in the practising of the profession or company, (c) no involvement with criminal offences, and (d) no involvement with money laundering;
 - (ii) the standards for corporate social responsibility accepted by INH BV are not met, which means that the Target Company operates an active policy in the three following areas (a) the way in which the Target Company deals with raw materials and the effect of products and services on the natural environment, (b) the social relationships between the company with its employees and local residents, and (c) compliance with the rules of responsible management, in accordance with the codes of conduct which apply to said company.
- 2.3 In the event of a Conversion, INH BV shall never possess more than forty-nine percent (49%) of the issued share capital of a Target Company.

Chapter 2 - Application for financing

3 Nature of the applications for Financing that will be honoured

- 3.1 INH BV seeks:
- (i) to provide Financing on the basis of the Regulation in relation to:
 - a. risk finance aid as meant in Article 21 of the Regulation;
 - b. start-up aid schemes as meant in Article 22 of the Regulation;
 - c. aid for research and development projects, as meant in Article 25 of the Regulation, and
 - d. innovation aid, as meant in Article 28 of the Regulation, as well as
 - (ii) providing Financing according to market-standard terms and conditions for a Target

Company for the purpose mentioned in Article 2.2.

- 3.2 The level of the Financing being provided for each Target Company amounts to:
- a. *at least* EUR 50,000 (in words: fifty thousand euros);
 - b. *no more than* EUR 300,000 (in words: three hundred thousand euros).
- 3.3 When providing Financing, INH BV is bound to act in accordance with the provisions in:
- a. these Investment Regulations, and
 - b. the Regulation, to the extent that non-market standard terms and conditions apply.
- 3.4 INH BV shall only provide Financing on the basis of an application accompanied by a Business Plan that contains at least:
- a. a description of the objective of the Project, with:
 - (i) product description;
 - (ii) initiators;
 - (iii) an estimate of the development costs;
 - (iv) product details;
 - (v) risk analysis;
 - (vi) expected viability;
 - (vii) the type of aid/Financing, as described in more detail in Chapter 3 of these Investment Regulations, that is being applied for;
 - (viii) a statement confirming that the terms and conditions for the request aid / Financing have been met;
 - b. a cash flow forecast, forecast balance sheet and profit and loss account of the Target Company;
 - c. a detailed explanation of how the proposed Financing by INH BV will benefit only the Project, with guarantees that the Financing will not be used for the benefit of other projects being carried out by the Target Company, its group companies, or third parties;
 - d. if an application for Financing is being made as meant in Article 4, a statement or indicative term sheet of one or more private investors (this may also be the Target Company making the application), in which the parties express their willingness to provide financing (in whatever form), thereby meeting the 'matching' conditions in the Regulation;
 - e. all other relevant information considered necessary by INH BV;
 - f. a proposal for a realistic exit strategy for INH BV in relation to the proposed Financing;
 - g. a statement that the Target Company will comply with requests for information regarding the monitoring of the progress of the Project, to include at least:
 - (i) reports concerning the matters to be included in the Financing agreement, the nature, scope, and frequency to be determined by INH BV;
 - (ii) an annually updated long-term budget for the Project;
 - (iii) up-to-date information if exceptional circumstances of the Project give reason for it;
 - h. a statement by the Target Company that there is no conflict of interest between INH BV, the Target Company (and, if applicable, its group companies), members of their bodies and the employees of said legal persons;

- i. a statement that the Target Company is not a company as meant in Article 3.5;
- j. a statement by the Target Company that:
 - (i) if the Target Company has a proposal that could lead to a substantive change to the implementation of the Business Plan before definitive decisions are taken, said proposal will be put before INH BV for its assessment, as meant under (iii) below;
 - (ii) if the Target Company finds itself in an unexpected circumstance, or faces the threat of being in an unexpected circumstance, that could lead to a substantive change to the Business Plan or the terms and conditions agreed with INH BV when the Financing was provided, this will immediately be communicated to INH BV together with all relevant information and that any subsequent information relating to the matter requested by INH BV shall be provided immediately, for its assessment, as meant under (iii) below;
 - (iii) it will provide INH BV with all information that will enable INH BV to form a judgement as to whether or not the new situation resulting from (i) or (ii) has consequences for the terms and conditions under which the Financing was provided that could lead to termination of the Financing, due to conflicts with these Investment Regulations, for example, or the normative parameters for State aid;
 - (iv) the Target Company will cooperate unconditionally and at the first request with any changes to or a dissolution of the agreement on the Financing provided if, following the assessment referred to under (iii), it is not clear whether or not the Target Company is able to continue meeting the original terms and conditions for the provision of said Financing.

3.5 INH BV shall not provide any Financing:

- a. to companies in difficulties, as meant by Article 1, paragraph 4, sub c, of the Regulation;
- b. for general operational purposes of the Target Company;
- c. directly to legal person governed by public law, or
- d. if, when Financing is provided, (i) non-market standard action is taken or if (ii) the applicable terms and conditions of the Regulation are not met.

3.6 If Financing from INH BV is requested subsequent to previous Financing by the same Target Company for the same Project, it shall only be granted in the event of there being new facts and circumstances not provided for in the agreement for the first Financing.

Chapter 3 - Purpose of possible Financing provided by INH BV

4 Risk finance aid

4.1 INH BV may provide Financing to a Target Company in the form of risk finance aid as meant in Article 21 of the Regulation, if the terms and conditions in the following are met:

- a. these Investment Regulations;
- b. Appendix 4 to these Investment Regulations, and
- c. the other terms and conditions laid down by the Regulation when Article 21 of the

Regulation is applied in the provision of Financing.

- 4.2 Appendix 4 to these Investment Regulations forms an integral part of these Investment Regulations. In cases where the Investment Regulations set more restrictive parameters in relation to the provision of Financing in the form of risk finance aid than does Appendix 4 or the Regulation, the restrictive parameters of these Investment Regulations shall prevail.
- 4.3 For the purpose of risk finance aid, INH BV may also provide a Target Company with Financing, in derogation of the two foregoing paragraphs, if it is under market-standard conditions and in accordance with these Investment Regulations.

5 Start-up aid

- 5.1 INH BV may provide Financing to a Target Company in the form of start-up aid as meant in Article 22 of the Regulation, if the terms and conditions in the following are met:
- a. these Investment Regulations;
 - b. Appendix 5 to these Investment Regulations, and
 - c. the other terms and conditions laid down by the Regulation when Article 22 of the Regulation is applied in the provision of Financing.
- 5.2 Appendix 5 to these Investment Regulations forms an integral part of these Investment Regulations. In cases where the Investment Regulations set more restrictive parameters in relation to the provision of Financing in the form of start-up aid than does Appendix 5 or the Regulation, the restrictive parameters of these Investment Regulations shall prevail.
- 5.3 For the purpose of aid for start-ups, INH BV may also provide a Target Company with Financing, in derogation of the two foregoing paragraphs, if it is under market-standard conditions and in accordance with these Investment Regulations.

6 Aid for research and development projects

- 6.1 INH BV may provide Financing to a Target Company in the form of aid for research and development projects as meant in Article 25 of the Regulation, if the terms and conditions in the following are met:
- a. these Investment Regulations;
 - b. Appendix 6 to these Investment Regulations, and
 - c. the other terms and conditions laid down by the Regulation when Article 25 of the Regulation is applied in the provision of Financing.
- 6.2 Appendix 6 to these Investment Regulations forms an integral part of these Investment Regulations. In cases where the Investment Regulations set more restrictive parameters in relation to the provision of Financing in the form of aid for research and development projects than does Appendix 6 or the Regulation, the restrictive parameters of these Investment Regulations shall prevail.
- 6.3 For the purpose of aid for research and development projects, INH BV may also provide a

Target Company with Financing, in derogation of the two foregoing paragraphs, if it is under market-standard conditions and in accordance with these Investment Regulations.

7 Innovation aid

- 7.1 INH BV may provide Financing to a Target Company in the form of innovation aid as meant in Article 28 of the Regulation, if the terms and conditions in the following are met:
- a. these Investment Regulations;
 - b. Appendix 7 to these Investment Regulations, and
 - c. the other terms and conditions laid down by the Regulation when Article 28 of the Regulation is applied in the provision of Financing.
- 7.2 Appendix 7 to these Investment Regulations forms an integral part of these Investment Regulations. In cases where the Investment Regulations set more restrictive parameters in relation to the provision of Financing in the form of innovation aid than does Appendix 7 or the Regulation, the restrictive parameters of these Investment Regulations shall prevail.
- 7.3 For the purpose of aid for innovation activities, INH BV may also provide a Target Company with Financing, in derogation of the two foregoing paragraphs, if it is under market-standard conditions and in accordance with these Investment Regulations.

Chapter 4 - Decision on providing Financing

8 Applications for provision of Financing

- 8.1 Applications for Financing are processed by INH BV in the order in which they are received.
- 8.2 Financing is only granted if the Fonds assets are sufficient. If an application for Financing were to exceed the limit of the Fonds assets, it will only be honoured to the maximum level permitted by the Fonds assets at the time the decision concerning the application in question is taken.

9 Decision on providing Financing

- 9.1 If INH BV proposes to provide Financing to a Target Company with a financial interest that exceeds a threshold limit set by the General Meeting, which threshold limit has been given by or on behalf of the General Meeting to the Board in writing, the Board shall put the proposal to the Advisory Committee, who will deliver a recommendation to the Board with regard to taking decisions on investments proposed by INH BV. Proposals to the Advisory Committee should include at least:
- a. the total amount of the financing requirements of the Target Company and which part is intended to be covered by Financing from INH BV;
 - b. a detailed explanation of how the terms and conditions of these Investment Regulations are to be met;
 - c. a clear and realistic strategy for disposing of a provided Loan or through Conversion of received capital; and

- d. Assessment on the feasibility and potential of the business case.
- 9.2 The recommendation by the Advisory Committee should include at least an explanation of how the proposed Financing is to meet the conditions in these Investment Regulations. The recommendation of the Advisory Committee is set down in writing.
- 9.3 Regardless of the recommendation by the Advisory Committee, the Board decides whether or not to provide Financing. The Board is not bound to follow any recommendation by the Advisory Committee, provided its decision is properly reasoned.
- 9.4 If the Advisory Committee does not issue a positive recommendation on a proposed decision on an investment proposed by INH BV, the decision by the Board requires the prior approval of the General Meeting.

10 Decision to make a Divestment

- 10.1 To the extent that there is no certainty on how a full or partial Divestment will take place when a decision to provide Financing is made, the Board shall put any proposal to make a Divestment with a financial interest that exceeds a threshold limit set by the General Meeting, which threshold limit has been given by or on behalf of the General Meeting to the Board and Advisory Committee in writing, to the Advisory Committee, who will deliver a recommendation. Proposals to the Advisory Committee should include at least:
- a. the amount of the proposed Divestment;
 - b. the conditions under which the Divestment will take place, including the draft documentation relating to the proposed Divestment;
 - c. a statement by the Board regarding the absence or existence of a conflict of interest with INH BV, its group companies, the members of its corporate bodies and the employees of these companies, in relation to the Divestment.
 - d. a substantive detailed explanation of the proposal for a Divestment, together with alternative options to the Divestment.
- 10.2 The recommendation of the Advisory Committee is set down in writing.
- 10.3 Regardless of whether or not the Advisory Committee issues a positive recommendation, the Board may decide, after receiving the recommendation, whether or not to make a Divestment, with due regard to the provisions in 10.4. The Board is not bound to follow any recommendation by the Advisory Committee, provided this decision is properly reasoned.
- 10.4 If the Advisory Committee does not issue a positive recommendation on a proposed decision on a Divestment proposed by INH BV, the decision by the Board requires the prior approval of the General Meeting.

11 Decision to make a Conversion

- 11.1 The Board may decide to Convert a Loan.

- 11.2 A decision to Convert a Loan may only be taken if it is compatible with the parameters set by the General Meeting, at the proposal of the Board.
- 11.3 At the request of any INH BV shareholder, the Board shall put any proposal to set parameters as meant in Article 11.2 to the Advisory Committee for its recommendation, and send said recommendation with any request to set the parameters.
- 11.4 If the Advisory Committee does not issue a positive recommendation on a proposed decision by the Board on Conversion by INH BV, the decision by the Board requires the prior approval of the General Meeting.

12 Decision to carry out a Suspension

The Board is authorised independently to permit or disallow a Suspension. The Board shall report on any Suspension, as meant in the foregoing sentence, within one month thereof to the General Meeting and provide the General Meeting with any information on the Suspension that it requests.

Chapter 5 - Final provisions

13 Amendment to Investment Regulations and hardship clause

- 13.1 These Investment Regulations shall apply until they are amended or revoked by the General Meeting of shareholders. Amendments to these Investment Regulations shall not affect agreements already concluded for the provision of Financing, but may affect new decisions in relation thereto, including decisions concerning Divestment, Conversion, and Suspension.
- 13.2 In derogation of the foregoing articles of these Investment Regulations, INH BV may provide Financing if the Board has received written approval to do so from the General Meeting. Requests for approval should be accompanied by a recommendation from the Advisory Committee with regard to said derogation. The General Meeting is free to decide whether or not to grant its approval and to attach any conditions thereto. No approval shall be granted if the provision of Financing is in conflict with the normative parameters for State aid or prevailing legislation.

Appendix I to the Investment Regulations: Project plan requirements

Project plans should include at least the following information:

General

- the objective and background of the Target Company; the legal person or persons carrying out the project, shareholding proportions
- whether it concerns a medium-sized, small, or micro business
- the project objectives, how they are to be achieved and within what period, and how (where possible) they are to be quantified and how subdivided into objectively measurable milestones, description of sector/relevant market
- the role and skills of any collaborative partners
- a brief introduction to the project plan;
- relevant knowledge and experience of the parties involved in relation to the project
- solidarity with and benefits for the province of Noord Holland in the execution of the work
- CSR policy

Importance to society

- a description of the project, in particular the processes and technologies being used;
- relevance to overall public benefit, including compatibility with the policies of the government and the profile of the province of Noord Holland and/or Amsterdam knowledge institutes
- how the project has previously proved itself in similar activities
- quantified contribution to innovation in the relevant sector
- jobs created that are directly related to the project

Phases and risks

- certainties in relation to technical feasibility (degree to which technology is proven, investigation into returns) and organisational feasibility (licensing procedures, collaborative partnership structure)
- timetable for the construction phase, including any remaining conditional factors (approvals, licences, permits, purchasing processes, etc.);
- SWOT analysis of the project (strengths, weaknesses, opportunities, threats);
- which key suppliers or customers are directly involved with the project; any dependencies
- a clear description of the contracted supply and sales market (if relevant);
- where the project is taking place and what it looks like (if relevant);
- opportunities for upscaling

Financial and social returns

Financial	Social
the degree to which loans/guarantees from the INNOVATIEFONDS, including interest charges, can be repaid; <ul style="list-style-type: none"> ○ the degree to which risk of share capital offers the prospect of value development and a positive result upon exit 	<ul style="list-style-type: none"> ○ socially relevant development of knowledge (connections with new knowledge networks) ○ the number of extra jobs to be created in the Province. (quantity and nature of work) ○ Knowledge and innovations (patents/i.e.) ○ Subsequent investments (nature and scope)

Organisation and team

- personal details of the Target Company, including relevant experience in relation to implementing the project in question;
- size of the Target Company, with a view to possibly applying provisions relating to State aid
- training and refresher courses, revenues, debts, and insurance cover;
- dependency on particular people and back-up mechanisms
- organisation of the Target Company: place of establishment, personnel, organisational chart, etc.
- the legal form of the Target Company, including an overview of shareholders and the control structure and shareholding structure
- the relationship between the project and the regular operations of the Target Company

- the importance of the project in the context of the overall company operations, the commitment of the board
- the approach towards marketing and promotion of the product/service;
- a description of the management/board and other key personnel in the project (including work experience, educational qualifications, age, expertise, and skills);
- the distribution of tasks in management/board and between key personnel, insight into UBOs

Finances

- the following financial documents:
 - annual accounts of the past three years, if available;
 - long-term forecast of the detailed profit and loss account, with explanation;
 - long-term forecast of the balance sheet;
 - long-term cash flow budget;
 - investment budget
- scenario description with and without Financing from the INNOVATIEFONDS; action undertaken by the Target Company to attract other sources of finance, public and private.
- the financial needs of the project and the proportion of them for which finance is being requested from the INNOVATIEFONDS;
- the other financiers who are involved with the project, and their role (if relevant)
- whether subsidies have been applied for/awarded
- key elements of the application and conformity with European rules concerning State aid
- justification of the financial feasibility of the project, with the help of an Excel document or similar

Redemption and exit strategy

- requested loan durations, expected conversion point
- in the event of participation, the desired duration of involvement by the Innovatiefonds (financial and strategic);
- vision for interest/repayments, timetable

Responsibility and communications

- the way in which any action taken is guaranteed to be in accordance with Financing terms and conditions
- provision of information in exceptional circumstances, such as payment difficulties
- communications regarding project milestones and project planning
- compliance with reporting obligations on the part of the fund manager