

# FINANCING REGULATIONS

**LIMBURG BUSINESS DEVELOPMENT FUND**

**governing the Proof of Concept Fund and the Seed Fund**

This document has been drawn up in accordance with the General Block Exemption Regulation (GBER).

Version: 25 January 2015

# Definitions

* 1. Terms starting with a capital letter have the following meaning: Business Plan: the business plan as described in Article 4.1.

Conversion: the conversion of a Loan into Risk Capital.

Divestment: the alienation of a Loan or the waiving, in whole or in part,

of the obligation to repay a Loan or to pay the interest under a Loan or the alienation of Risk Capital provided to a Target Enterprise.

Management Board: the management board of LBDF BV.

Target Enterprise: an entrepreneur or enterprise to which LBDF BV

provides or intends to provide Financing, and which satisfies the conditions laid down in Article 3.

Financing: the provision of (i) a Loan or (ii) Risk Capital to a Target Enterprise, in accordance with the Financing Regulations.

PoC Fund Capital: the capital of the Proof of Concept Fund, consisting of:

* + 1. an amount with a nominal value of EUR 11,250,000 (eleven million, two hundred and fifty thousand euros) at the time when these Financing Regulations were first drawn up;
    2. assets obtained from income generated through the maintenance of Loans and Risk Capital arising from converted Loans, and from income generated through the transfer of Loans and alienation of Risk Capital arising from converted Loans;
    3. financial assets allocated to the Proof of Concept Fund at any time after these Financing Regulations were first drawn up,

minus the management fee paid at any time, as referred to in Article 4.9 of the Agreement, and any other costs incurred on the basis of the Agreement which are deductible from the PoC Fund Capital.

Seed Fund Capital: the capital of the Seed Fund, consisting of:

1. an amount with a nominal value of EUR 12,600,000 (twelve million, six hundred and fifty thousand euros) at the time when these Financing Regulations were first drawn up;
2. assets obtained from income generated through the maintenance of Loans and Risk Capital, and from income generated through the transfer of Loans and alienation of Risk Capital;
3. financial assets allocated to the Seed Fund at any time after these Financing Regulations were first drawn up,

minus the management fee paid at any time, as referred to in Article 4.9 of the Agreement, and any other costs incurred on the basis of the Agreement which are deductible from the Seed Fund Capital.

Financing Committee: the independent advisory committees of LBDF BV as referred to in Article

22 of the LBDF BV’s articles of association (being the LBDF Credit Committee and the LBDF Financing Committee), which issues an opinion on the provision of financing from the Proof of Concept Fund or the Seed Fund.

Financing Regulations: these regulations.

SMEs: enterprises that comply with the EU definition of micro, small, and medium-sized

enterprises, as set out in Annex 1 of EU Regulation (EEC) No 651214 of the Commission of 17 June 2014.

Loan: borrowed capital provided to a Target Enterprise by means of Loan issued from the Proof of Concept fund or the Seed Fund, including subordinated and convertible loans.

LBDF BV: Limburg Business Development Fonds B.V., a private company with limited liability.

Limburg Business

Development Fund: the fund called the 'Limburg Business Development Fund',

consisting of:

* the Proof of Principle Fund;
* the Proof of Concept Fund;
* the Seed Fund.

Matching: as referred to in Article 6.

Suspension: the suspension of one or more obligations arising under the

agreements made with regard to the Financing, consisting of the provision of a Loan.

Agreement: the agreement concluded by LBDF BV and the Province of Limburg

to operate the Limburg Business Development Fund.

Proof of Concept Fund: a component of the Limburg Business Development Fund. Proof of Principle Fund: a component of the Limburg Business Development Fund.  
Province: the Province of Limburg

Risk Capital: equity provided to a Target Enterprise through

the acquisition of shares in the Target Enterprise, whether by virtue of Conversion or not.

Seed Fund: a component of the Limburg Business Development Fund. Class A Shareholders’ Meeting: the meeting of holders of Class A shares in LBDF BV.

Regulation: Commission Regulation (EU) No 651/2014 of 17 June

2014, declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (the 'General Block Exemption Regulation' or 'GBER'), or any substituting regulation(s), in which the definitions under the Regulation contained in this Article 1.1 are automatically amended in accordance with such substituting regulation(s).

* 1. Any references to articles are references to articles of these Financing Regulations, except where expressly referring to another document.
  2. In case of a contradiction between these Financing Regulations, and the LBDF Fund Plan, these Financing Regulations prevail.

# General provisions: requirements for Financing from the Proof of Concept Fund or the Seed Fund

* 1. LBDF BV consists of three parts: the Proof of Principle Fund, the Proof of Concept Fund, and the Seed Fund. Each of these funds is focused on a particular phase of the business development process, i.e. the journey from idea to business. These funds use various financial instruments, such as grants, loans, and share capital. These Financing Regulations apply exclusively to the Proof of Concept Fund and the Seed Fund, while the PoP Grant Regulations (i.e. the terms and conditions for the provision of a grant from the Proof of Principle Fund by LBDF BV to a Target Enterprise) govern the Proof of Principle Fund.
  2. The duration of the Proof of Concept Fund and the Seed Fund is twelve (12) years from the establishment of LBDF BV, automatically ending without any action required by any of the parties to the Limburg Business Development Fund.
  3. LBDF BV may provide Financing during the first six (6) years of the Proof of Concept Fund and the Seed Fund (hereinafter the 'Issue Period'), while the following six

(6) years are reserved for managing the issued Financing only (hereinafter the 'Management Period'). Without prejudice to the foregoing, the Province may extend the duration of either or both of these periods by as many years as the Province sees fit. If the Province wishes to extend one or both periods, the Province shall inform LBDF BV of its intention, no later than six (6) months before the end of the original period, resulting in the extension of the period(s) accordingly on the basis of the prior consent issued by LBDF BV.

* 1. The purpose of the Proof of Concept Fund and the Seed Fund is to facilitate the development of innovative ideas into a product and subsequently into a fully-fledged business, as referred to in Articles 2.7 and 2.8, by providing Financing to SMEs, partly aimed at accelerating the business development process.
  2. LBDF BV provides Financing only to enterprises that share the purpose of the Proof of Concept Fund or the Seed Fund of promoting at least one of the following aspects:

1. knowledge-intensive activity
2. economic development
3. sustainable employment
4. gross regional product.
   1. LBDF BV provides Financing only to enterprises in the following sectors:
5. agri-food
6. logistics
7. high-tech systems
8. chemicals/materials
9. finance/administration
10. life sciences
11. more than one of these sectors.
    1. Financing from the Proof of Concept Fund is limited to the provision of financing requirements to develop products and/or services that have undergone initial technological or market testing into a fully-fledged product or service concept, including a business plan (Proof of Concept).
    2. Financing from the Seed Fund is limited to the provision of financing requirements in the last phase of the business development process to form a fully-fledged business (a Target Enterprise), which has completed the journey from start-up to an independent and profitable business, in order to increase value and attract additional financing.

# Target Enterprise

* 1. Only an enterprise which meets the terms and conditions laid down in this Article 3 (the 'Target Enterprise') is eligible for Financing.
  2. A Target Enterprise is a non-listed SME which, at the time of the intention to provide Financing for the first time under these Financing Regulations, fulfils one of the following conditions:

1. The Target Enterprise is not actively operating on a market (a market being based on the supply and demand for a particular product or service, excluding limited sales to test the market).
2. The Target Enterprise is operating on a market and it has been less than seven (7) years since its first commercial sale.
3. There is financing requirement (towards which the Financing should contribute), on the basis of the Business Plan (drawn up with a view to entering a new product market or geographical market), which is more than 50% of the average annual turnover of the SME over the preceding five (5) years.
   1. By way of derogation from the provisions of the previous paragraph of this Article, the intended Financing of an SME may also cover additional Financing after the initial Financing under these Financing Regulations, provided that:
4. the total amount of the Financing does not exceed the maximum referred to in Article 5, *and*
5. the possibility of follow-up investments was provided for in the original Business Plan, *and*
6. the Target Enterprise is not affiliated with another company, other than LBDF BV or the private investor who also provided financing within the framework of the foregoing Financing in order to comply with the Matching, unless the Target Enterprise together with such other company meets the definition of an SME. 'Affiliated' is understood to mean that the other company has a majority of votes in or control over the Target Enterprise, has the right to appoint the majority of the management board or supervisory board of the Target Enterprise, or otherwise has a dominant influence on the Target Enterprise on the basis of an agreement or articles of association.

If the SME complies with the three criteria above, the SME qualifies as a Target Enterprise.

* 1. By way of derogation from the provisions of the preceding two paragraphs of this Article, Financing may be provided to an SME, if the Financing:

1. complies with the conditions laid down in Regulation (EU) No 1407/2013 (de minimis), *and*
2. is based on a profit-driven decision made on a commercial basis to provide Financing, *and*
3. serves as a springboard for additional financing from private investors, such that the total percentage of private financing is at least 60% of the Financing provided to the SME.

If the SME complies with the three criteria above, the SME qualifies as a Target Enterprise.

* 1. A Target Enterprise may carry on or intend to carry on only most of its business in the Province. The provisions of the preceding sentence may only apply if it can be demonstrated that the Financing will be used for business that affects the Province.
  2. A Target Enterprise may not be in difficulty within the meaning of Article 1(4)(c) of the Regulation.
  3. LBDF BV will providing Financing only if the Target Enterprise meets with standards of integrity, namely that the Target Enterprise: i) has not breached professional ethics or integrity, ii) has not committed any serious errors in the exercise of a profession or business, iii) has not been party to any criminal offence, and iv) has not been involved in money laundering. The Target Enterprise must sign a declaration, attesting that it is aware of the aforementioned standards, it complies with those standards at that time of signature, and it will continue to comply with those standards for the duration of the Financing.

# Financing assessment criteria

* 1. LBDF BV provides Financing only on the basis of a Business Plan that includes as a minimum:

1. a description of the objective(s) of the Target Enterprise’s project which the application for Financing covers, including a product description, market research, initiators, estimated development costs, risk analysis, and expected viability;
2. a cash flow forecast for at least three years, a balance sheet forecast, and a projected profit and loss account for the Target Enterprise;
3. a justification for the proposed investment in the Target Enterprise’s project to ensure that the Financing is not for the benefit of other projects undertaken by the Target Enterprise, its group companies, or third parties;
4. a proposal for a realistic exit strategy for LBDF BV with respect to the proposed Financing from the Seed Fund;
5. a statement that the Target Enterprise will comply with requests for information in order to track the progress of the Target Enterprise’s project which the application for Financing covers;
6. a declaration that the Target Enterprise complies with all criteria arising under these Financing Regulations.
   1. *Proof of Concept Fund assessment criteria*

A Business Plan submitted as part of an application for Financing from the Proof of Concept Fund is assessed against all of the following criteria:

1. innovative capacity
2. technical feasibility
3. market potential
4. economic feasibility
5. entrepreneurship.
   1. *Seed Fund assessment criteria*

A Business Plan submitted as part of an application for Financing from the Seed Fund is assessed against the following criteria:

1. The Target Enterprise must be a high-tech start-up and LBDF BV is preferably its first financial investor.
2. The entrepreneur(s) demonstrate(s) experience, drive, and commitment.
3. The entrepreneur(s) is/are the major shareholder(s) prior to Financing from the Seed Fund.
4. The entrepreneur has/have made a personal contribution of at least 10% of the Risk Capital.
5. The Target Enterprise has a global target market, so that the product has the potential to become a globally unique product and can be protected by intellectual property rights.
6. There must be a significant increase in value; the stake acquired by LBDF BV through the Seed Fund must have the potential to be sold within seven (7) years at five (5) times the initial investment.

# Maximum and minimum amount of Financing

* 1. For the Proof of Concept Fund, the amount of Financing provided to the Target Enterprise per project is:

1. *a minimum of* EUR 50,000 (fifty thousand euros);
2. *a maximum of* EUR 250,000 (two hundred and fifty thousand euros).
   1. For the Seed Fund, the amount of Financing provided to the Target Enterprise is:
3. *a minimum of* EUR 100,000 (one hundred thousand euros);
4. *a maximum of* EUR 500,000 (five hundred thousand euros).
   1. LBDF BV may only provide Financing from the Proof of Concept Fund or the Seed Fund provided that enough PoC Fund Capital or Seed Fund Capital is available.

# Matching

* 1. In providing Financing to a Target Enterprise, LBDF BV shall take into consideration the fact that private investors must also contribute (in whatever form) to the total financing requirements of the Target Enterprise, as stated in the Business Plan, subject to the following minimum thresholds:

1. 10% for Target Enterprises that have not made any commercial sales on a market, as referred to in Article 3.2.a
2. 40% for Target Enterprises that are operating on a market with less than seven (7) years since the first commercial sale, as referred to in Article 3.2.b
3. 60% for other Target Enterprises wishing to obtain Financing:
   * on the basis of the Business Plan drawn up with a view to entering a new product market or geographical market, and the total financing requirement exceeds 50% of the average annual turnover of the Target Enterprise over the preceding five (5) years, as referred to in Article 3.2.c;
   * for the purpose of follow-up investments for the period following that defined in part b;

for the period of seven (7) years, as referred to in Article 3.3;

* + in other cases provided for in Article 3.4.
  1. By way of derogation from the previous paragraph of this Article, LBDF BV may provide Financing as replacement capital (i.e. the purchase of existing shares in a Target Enterprise from another shareholder of that Target Enterprise), if the Financing is combined with new share capital (regardless of who provided it) provided to the Target Enterprise for an amount larger than 50% of the amount of the share capital that has already been provided to the Target Enterprise.

# Financing decision

* 1. The Management Board of LBDF BV shall submit the Financing proposal to the Financing Committee, so that the Financing Committee may issue its opinion to the Management Board on such matter.
  2. If the Financing Committee approves the proposal, the Management Board may subsequently issue its decision on whether to provide the proposed Financing or not.
  3. If the Financing Committee rejects the proposal, the Management Board is not entitled to approve the proposed Financing unless it has obtained the prior approval of the Class A Shareholders’ Meeting. If the Management Board asks the Class A Shareholders’ Meeting to approve the proposed Financing, the Management Board is obliged to inform the Class A Shareholders’ Meeting of the Financing Committee’s opinion.

# Divestment decision

* 1. The Management Board of LBDF BV shall submit its Divestment proposal to the Financing Committee, so that the Financing Committee may issue its opinion to the Management Board on such matter.
  2. If the Financing Committee approves the proposal, the Management Board may subsequently issue its decision on whether to carry out the proposed Divestment or not.
  3. If the Financing Committee rejects the proposal, the Management Board is not entitled to approve the proposed Divestment unless it has obtained the prior approval of the Class A Shareholders’ Meeting. If the Management Board asks the Class A Shareholders’ Meeting to approve the proposed Divestment, the Management Board is obliged to inform the Class A Shareholders’ Meeting of the Financing Committee’s opinion.

# Conversion decision

* 1. The Management Board of LBDF BV shall submit its Conversion proposal to the Financing Committee, so that the Financing Committee may issue its opinion to the Management Board on such matter.
  2. If the Financing Committee approves the proposal, the Management Board may subsequently issue its decision on whether to carry out the proposed Conversion or not.
  3. If the Financing Committee rejects the proposal, the Management Board is not entitled to approve the proposed Conversion unless it has obtained the prior approval of the Class A Shareholders’ Meeting. If the Management Board asks the Class A Shareholders’ Meeting to approve the proposed Conversion, the Management Board is obliged to inform the Class A Shareholders’ Meeting of the Financing Committee’s opinion.

# Suspension decision

The Management Board of LBDF BV is solely entitled to decide whether to grant Suspension or not.

# Update to Financing Regulations and hardship clause

* 1. These Financing Regulations apply until amended or terminated by the Class A Shareholders’ Meeting.
  2. By way of derogation from the Financing Regulations to provide Financing, prior approval is required from the Class A Shareholders’ Meeting. Approval will not be granted if the provision of Financing conflicts with the regulatory framework of state aid or applicable laws and regulations.
  3. These Financing Regulations automatically cease to apply after the expiry of the duration of the Proof of Concept Fund and the Seed Fund, as defined in Articles 2.2 and 2.3.