

Ireland Update: Enterprise Ireland Changes Investment Structure

We are pleased to share an exciting development that is poised to have a significant impact on companies seeking investment opportunities through Enterprise Ireland (EI). In a strategic move to enhance the investment landscape, EI has recently updated its standard investment instrument, marking a shift from the traditional model that has been in place for many years.

Transition from CRCPs to the CLNs

Historically, EI has utilised Cumulative Redeemable Convertible Preference Shares (CRCPs) as its standard investment instrument. While CRCPs have served their purpose effectively, EI has recognised the need to evolve and align with global investment practices. To this end, EI has introduced a new standard Convertible Loan Note (CLN), which is set to replace the CRCPs.

Advantages of CLNs

The introduction of the CLN is a testament to EI's commitment to fostering a more accessible and efficient investment environment.

CLNs are widely recognised and accepted as a preferred instrument for early-stage funding across the globe. The use of such notes can be beneficial for several reasons:

Clarity for International Investors

- The adoption of the CLN is expected to provide greater clarity and familiarity for overseas investors who are considering co-investing with EI. This is because CLNs are a common instrument in

international markets and their characteristics are well understood by a broad spectrum of investors.

Streamlining the Funding Process

- For companies that are in the process of securing funding from EI, the transition to the CLN is anticipated to streamline the entire funding process. This is due to the standardised nature of CLNs, which do not necessarily require the creation of a new class of share.

Investment Terms and Conversion Provisions

Notably, while the investment structure has undergone a change with the introduction of the CLN, the core investment terms proposed by EI have largely remained consistent. The primary exception to this is the conversion provisions associated with the CLN, which differ from those of the CRCPs.

The key attributes of the new EI CLN include:

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| Form | Unsecured CLN |
| Term | 5 Years |
| Convertible | At a 20% discount, upon specific conversion events |
| Interest Rate | 8% reducing to 3% on successful validation of expenditure of investment funds on |

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| | or after the second anniversary of investment |
| Other Terms | Customary warranties, consent rights and information rights (corresponding with those connected with the CRCP rights) |
| Documentation | Loan Note Instrument and Investment Agreement |

Conclusion and Next Steps

The shift from CRCPs to the CLN represents a forward-thinking approach by EI. We believe that this change will not only benefit the companies seeking investment but also enhance the attractiveness of the Irish market for international investors.

For companies currently engaged with EI or considering EI as a potential investment partner, it is advisable to familiarise themselves with the nuances of the CLN and how it may affect future funding rounds. As always, we are here to provide guidance and support to our clients throughout this transition and to ensure that your interests are well-represented in any investment dealings with EI.

How the Maples Group Can Help

If you require assistance or for further information, please reach out to your usual Maples Group contact or any of the persons listed below.

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