

CO-INVESTMENT IN STARTUPS WITH VENTURE CAPITAL ORGANIZATIONS AND ANGEL INVESTORS

1. BACKGROUND

The National Agency for Research and Innovation (“ANII”), acting both as trustor and beneficiary, has set up a Trust known as the ANII Trust, whose objective is to promote projects in the fields of science, technology, and innovation that enable the country to move towards a knowledge-based economy and society, becoming a world-class innovation hub that attracts international investment; increase the country’s potential economic growth rate, and create quality jobs for its citizens.

2. PURPOSE

The purpose of this call is to call interested parties to form a registry of Venture Capital Organizations and Angel Investors. Registered investors will have the opportunity to submit co-investment proposals in early-stage technology-based or science-technology startups with technical validation, minimum viable product/functional prototype and demonstrable traction. In the case of the scientific-technological sector, eligible startups must have validations performed at least at the proof-of-concept level.

The priority areas covered by this call are: (a) Advanced digital technologies: addressing the current challenges presented by new technologies such as, for example, Artificial Intelligence, Robotics, Internet of Things, Cybersecurity, Fintech and Blockchain; (b) Green technologies: including renewable energy, circular economy and new materials, biochemicals and biofuels, electro mobility and green hydrogen, among others; (c) Biotechnology in its different orientations: towards human and animal health, as well as food and other applications.

3. TYPES OF INVESTORS

The call for expressions of interest is aimed at national or foreign venture capital organizations and angel investors, with a track record in startup financing, proven

financial capacity, the necessary skills to follow up on each investment, and demonstrable success stories.

The call will have two types of investors:

a) Venture Capital Organizations

"**Venture Capital Organizations**" shall be understood as those legal entities, funds or trusts, national or foreign, public, private or mixed, whose purpose is to contribute their own- or third-party resources to a group of startups, in exchange for an equity stake or potential future equity stake. Likewise, these Venture Capital Organizations should offer mentoring, networking and support to accelerate the development of the startups. In this sense, registered Venture Capital Organizations are expected to have teams specialized in legal issues, accounting, finance, technology, management, strategic marketing, as well as local and international relationship networks that allow them to add value to the startup beyond the monetary investment.

It is a requirement to have formed a fund whose investment thesis is aligned with the prioritized areas of the Program that has a target size of at least USD 10 million, where at least 25% of the total capital has already been committed; or to have made at least 10 investments in technology-based or scientific-technological startups for an accumulated amount of no less than USD 1,000,000.

b) Angel Investors

"**Angel Investor**" means any individual, national or foreign, who makes investments using their own capital, either directly or indirectly through a special purpose vehicle ("SPV"), or through a legal entity with no more than six shareholders in exchange for an equity stake or potential future equity stake in startups, and who in turn provides mentoring, networking opportunities, and support that add value beyond the monetary investment. They are expected to have the profile and technical capacity to provide adequate support to startups in early stages of development, as well as local and international networks that allow them to add value to the venture beyond monetary investment.

Applicants must have a track record of investing in at least 3 technology-based or science-and-technology startups, with a cumulative investment of no less than USD 75,000 over the past 5 years; this must include at least one investment made in the year immediately preceding the application or in the year of the application.

Groups of angel investors will also be accepted. In such cases, applicants must meet all the minimum investment background requirements established for angel investors. The applicant investor may co-invest alongside other angel investors, who must each contribute a minimum individual ticket of USD 15,000. The total amount contributed by the group may not be less than USD 75,000, which is the amount to be used for the purposes of the co-investment with ANII on a 1:1 basis. The group must be willing to co-invest under the terms established by the program.

4. INVESTORS' ELIGIBILITY

Eligible investors to be included in the registry of Venture Capital Organizations and Angel Investors, as well as their partners and representatives, if applicable, employees and beneficial owners, must meet the following conditions¹:

- a) No conflicts of interest at the time of registration and during the execution of the co-investment with ANII. This shall occur upon the objective, actual or potential existence of a conflicting situation, not necessarily of an economic or equity nature, but linked to a causal link between a particular interest of the Investor, ANII and the startup beneficiary of the Program.

In this sense, the following persons will not be able to register in the registry:

- (i) Politically exposed persons ("PEP")²;

¹ **(Beneficial owner)** - According to the definition provided by article 1 of Decree 166/017, a beneficial owner is defined as the individual who, directly or indirectly, holds at least **15% (fifteen percent)** of the paid-in capital or its equivalent, or of the voting rights, or who by other means exercises ultimate control over an entity, being considered as such a legal entity, a trust, an investment fund or any other trust or legal structure, with or without legal status.

Ultimate control is defined as control exercised directly or indirectly through a chain of ownership or any other means of control. In the case of trusts or investment funds not supervised by the Central Bank of Uruguay, the individual/s who comply with the conditions set forth in the preceding paragraphs in relation to the trustor, trustee and beneficiary, or the managing entities, as the case may be, must be identified. The same shall apply in the case of the foundations and civil associations in relation to the members of the Administration Committee or of the Directors' Committee or of the corresponding management body.

² **(PEP)**: In accordance with the provisions of art. 20 of law 19574 and articles 13 and 14 of Decree 379/018 politically exposed persons ("PEP") are defined as those persons, their spouse, partner and relatives by consanguinity or affinity up to the second degree, as well as their associates when these are public knowledge and those who carry out operations on their behalf; who perform or have performed in the last five years important public functions in the country or abroad, such as: Heads of State or Government, senior politicians, high-ranking government, judicial or military officials, representatives and senators of the legislative branch, prominent leaders of political parties, directors and senior executives of state-owned companies and other public entities. Politically exposed persons are also understood as those who perform or have performed in the last five years a senior function in a public international law organization, such as: members of senior management, directors, deputy directors, board members or equivalent functions.

- (ii) Public employees linked to the Ministries or personnel linked to public or parastatal institutions that are part of this Program;
- (iii) Persons related to ANII team members or potential startups planning to participate in the program;
- (iv) Companies supplying goods or services to a prospective startup planning to participate in the Program.

ANII's Board of Directors reserves the discretionary right to analyze the admissibility of these requests based on principles of timeliness, transparency and good faith.

In the event of doubt, Investors in the process of registration/registered shall have the obligation to inform and request authorization from ANII prior to performing any act or omission that may result in a conflict-of-interest situation.

- b) To be in compliance with its tax obligations in the countries where the investor is a tax resident.
- c) Not to be involved in a bankruptcy, dissolution, liquidation or precautionary measure proceeding that prevents it from conducting its business both in Uruguay and abroad.
- d) Not being sanctioned or subject to administrative or judicial investigation for corruption, terrorism, money laundering or any of the preceding crimes provided for in Article 34 of Law 19,547 or being on the international lists of the United Nations Security Council or OFAC. If during the registration process or subsequently it is detected that the investor is subject to an administrative or judicial investigation in Uruguay or abroad, the Steering Committee shall evaluate the circumstances of the case in order to review its acceptance or disassociation.
- e) The eligible fund and its manager must not be incorporated in a Low or No Tax Jurisdiction according to the list published by the Uruguayan Tax Authority (DGI) or in a jurisdiction classified as non-cooperative by the Financial Action Task Force.
- f) Eligible investors do not invest in illicit (under Uruguayan or the country where the venture is located) or immoral ventures.

5. ASSESSMENT CRITERIA

The assessment criteria to be taken into account will be the following:

- a) Professional and personal background of the eligible investor;
- b) Success stories;
- c) Investment thesis and strategy;
- d) Linkage within the national and international ecosystem;
- e) Financial capacity of the eligible investor;

6. CO-INVESTMENT IN STARTUPS

Investors registered in the register of Venture Capital Organizations and Angel Investors will have the benefit of co-investing in the startups together with ANII.

The conditions of the contribution made by the private investor to the startup will be subject to agreement between both parties, and this aspect will be assessed at the time of selecting the projects to be financed.

For the purpose of verifying the ticket amount for the 1:1 co-investment, only investments made by the investor in the startup up to three months prior to the co-investment application to ANII will be counted. This term will begin on the date the investor has actually transferred the funds to the startup, provided that they meet the criteria established by the program.

Only investments structured using convertible instruments (e.g., convertible notes or SAFEs) will be eligible for co-investment. Equity-priced rounds and equity investments made through share subscription agreements or similar arrangements will not be accepted.

ANII may reject investment instruments that in any way restrict disbursements or the effectiveness of the instrument.

7. DUTIES OF ELIGIBLE INVESTORS

Selected eligible investors will be able to submit proposals for co-investment in startups and participate in the selection mechanisms. To be eligible for co-investment, investors must:

- a) Conduct the due diligence process (legal, tax and financial audit), as well as verify compliance with the eligibility conditions.
- b) Provide technical assistance to entrepreneurs if necessary.
- c) Provide ANII with all the information requested regarding the startups invested, which will allow a correct control and effective follow-up of the execution of the funds and the fulfillment of all the requirements of these terms.
- d) Mention the support of ANII in all marketing and communication of the co-investments made in the fund.
- e) Keep and maintain at ANII's disposal all financial information pertaining to the investments.

8. INVESTMENT INSTRUMENT

ANII will invest in the startups participating in the Program through one of the following instruments: a convertible note (hereinafter "**Convertible Note**") or a "SAFE" (**Simple Agreement for Future Equity**) agreement. ANII will endeavor to invest using the same instrument as the private co-investor, provided that such instrument is among those permitted by the Program.

The characteristics of each instrument are detailed in the following table:

	Convertible Note	SAFE
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a. Operational aspects	It will operate as a capitalizable loan whereby ANII provides the startup with a sum of money for a specified period (the “Maturity Date”) at a specified interest rate, the repayment or conversion of which into shares will be contingent upon the occurrence of a Liquidity Event. In this regard, if the Liquidity Event occurs prior to maturity, the amount loaned plus interest may be converted into shares based on the discount rate or the Valuation Cap and subject to the conditions set forth in the instrument. If the event does not occur prior to maturity, ANII may: (i) request repayment of the loan with interest; (ii) extend the term; or (iii) voluntarily convert the debt into shares. Along with the Convertible Note, ANII will enter into a supplemental Investment Agreement with the co-investor and the founders to ensure compliance with the Program’s terms and to grant certain rights to the parties.	It is an investment agreement that grants the right to receive shares in the future, subject to the occurrence of certain Liquidity Events or eligible investment rounds. It does not constitute debt or a loan. The investment converts into shares in accordance with the Valuation Cap and/or discount rate terms set forth in the instrument. Along with the SAFE, ANII will enter into a supplemental Investment Agreement with the co-investor and the founders to ensure compliance with the Program’s terms and to grant certain rights to the parties.
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b. Ticket	Between USD 75,000 and USD 500,000 per beneficiary startup. In transactions involving angel investors, ANII's contribution will be capped at USD 200,000 per startup.	
c. Co-investment Relationship	ANII will co-invest on a 1:1 relationship with the eligible investor. Only monetary investments will be considered for the calculation of the co-investment. ANII may co-invest in more than one project with the same Venture Capital Organizations or Angel Investor, or may increase the funding amount for each individual project up to the maximum ticket provided. This decision is subject to program approval.	
d. Interest Rate	3% plus VAT, subject to annual review as of January 31 of each year. If the private investment is structured as a convertible note that provides for a higher interest rate, ANII may match the rate agreed upon by the co-investor.	N/A
e. Maturity Date	A 24-month term, extendable for 12-month periods. Notwithstanding the foregoing, a shorter term may be established to align with the term of the co-investor's investment instrument. The program will automatically grant one extension of the original term, provided that the following conditions are cumulatively met: (i) the co-investor(s) have agreed to extend their investment instrument for an equal or longer term; (ii) the startup has complied with the	N/A

	Uruguay Condition; and (iii) the company or the founders are not in breach of their obligations.	
f. Valuation Cap	The valuation cap will be set by the co-investor, who must have previously negotiated it with the entrepreneurs and the startup.	
g. Discount Rate	A 20% discount on the share price of the Priced Round constituting a Liquidity Event. The mechanism that is most beneficial to ANII will be applied, choosing between the Valuation Cap and the discount.	
h. Liquidity Event	Includes: i) A Priced Round that exceeds the defined minimum amount. ii) Transfer of more than 50% of shares or loss of control by founders. iii) Substantial sale of assets. iv) Exit of the co-investor. v) Initial public offering (IPO). In rounds (i) and (v), conversion is automatic. In rounds (ii) through (iv), ANII may choose between converting or requesting financial compensation as provided in the Convertible Note. (*)	Includes: i) A Priced Round that exceeds the defined minimum amount. ii) Transfer of >50% of shares or loss of control by founders. iii) Substantial sale of assets. iv) Exit of the co-investor. v) Initial public offering (IPO).

i. Put Option	ANII may, as part of a future funding round, agree to mechanisms that allow it to transfer its entire stake to the founders or the co-investor for a nominal fee, with the aim of enabling the Trust to divest its investment quickly and without impacting the startup’s business.	
j. Preemptive rights upon liquidation	In the event of the startup’s liquidation, dissolution, or closure, ANII shall be entitled to receive, at a minimum, the amount invested (and, where applicable, any accrued interest), with priority over the founding partners, to the extent that funds are available for distribution.	
k. Early repayment	The startup may request the full or partial cancellation of the Convertible Note with 60 days’ notice, subject to ANII’s approval. If a partial cancellation of the Convertible Note is accepted, the startup and ANII shall enter into an amendment or modification to the instrument to adjust the investment amount. In the event of early repayment, the startup must: (a) return the disbursed contributions plus interest accrued to date, plus (b) additional compensation equivalent to 15% of the total outstanding debt as of the date of notification. Under no circumstances may the final repayment exceed the maximum legal interest rate permitted under the provisions of Law 18,212. If any of the Liquidity Events	N/A

	occur within 12 (twelve) months following the date on which the Early Repayment was executed, ANII must be notified and shall be entitled to receive additional compensation.	
l. Call option	ANII may grant a call option on its post-conversion shares to the co-investor and, alternatively, to the founding partners. Term: up to 24 months from the conversion (priority given to the co-investor). Price: amount invested + 50%. Terms and procedure: to be defined in the Investment Agreement, taking care not to affect future rounds.	
m. Tag Along Right	In the event of a purchase offer for the company by a third party, the founders shall be obliged to offer to such purchaser, as part of that purchase offer, the shares that ANII would receive from the company upon conversion.	
n. Disbursements	For tickets up to USD 150,000, the investment will be made in a single disbursement. If the ticket exceeds USD 150,000, the investment will be made in partial disbursements, subject to the achievement of measurable milestones in accordance with each project's timeline.	

(*) In the event of the occurrence of any of the Liquidity Events set forth in items (ii) to (iv), the conversion shall not be automatic, but ANII shall have the right to choose between the conversion of the loan and its interest or to request a compensation equivalent to: (a) the return of double the amount borrowed, when the Convertible Note is for an amount greater than Indexed Units 2,000,000 under the terms set forth in article 2 paragraph E) of Law No. 18,212; or (b) the return of the amount borrowed plus a compensation equivalent to the maximum legal interest rate allowed, when the Convertible Note is for an amount less than Indexed Units 2,000,000 under the terms set forth in article 2 paragraph E) of Law No. 18,212.

General conditions applicable to both instruments

Co-investment

Investments made under the program must comply with the established co-investment ratio, with ANII's contribution always serving as a supplement to the private capital contributed by eligible investors.

Supplementary investment agreement

In addition to the investment instrument (Convertible Note or SAFE), ANII will enter into a supplementary Investment Agreement with the co-investor and the startup's founders, with the aim of:

- Ensure compliance with the Program's terms and conditions.
- Establish the rights and obligations of the parties.
- Regulate aspects of governance, reporting, and monitoring of the investment.

Liquidity Event Notices

Investors and startups must notify ANII of the occurrence of any Liquidity Event provided for in the investment agreement once the first disbursement under the program has been made.

9. STARTUPS ELIGIBILITY

Early-stage startups may apply as legal entities and must have an innovative product or service, a scalable business model, demonstrate high growth potential and have a highly qualified team. They must also have technical validation, minimum viable product/functional prototype and demonstrable traction.

In the case of the biotechnological sector, eligible startups must have validations performed at least at the proof-of-concept level.

In either case, in order to apply for co-investment by ANII, the startup must prove the existence of an investment commitment by means of a letter of endorsement according to the template provided for such purposes by a private investor that is part of the Registry of Eligible Investors and have previously undergone a due diligence process.

Startups must align with the priority areas defined by ANII, specifically: advanced digital technologies, biotechnology, and green technologies.

It is expected that:

- a) The entrepreneurial team must hold at least 51% of the company's shares.³
- b) The startup and its partners are free of liens.
- c) The existence of an investment or a commitment to invest in the startup by one or more private investors is evidenced by a letter of intent or similar document and accreditation from the Registry of Investors.
- d) The entrepreneurial team does not present conflicts of interest in the co-investment to be carried out with ANII
- e) None of the partners, their management team or employees is sanctioned for corruption, terrorism, money laundering or is on the international lists of the United Nations Security Council or OFAC; in case of being subject to any investigation for any of the above causes or for any criminal cause, such circumstance must be disclosed, which will be evaluated by the Steering Committee.
- f) The startup is not incorporated in a BONT jurisdiction.
- g) The startup does not carry out illegal activities (under Uruguayan or national regulations).

Also, in order to know the details of the startup, information will be requested regarding:

1. Background of the startup and the entrepreneurial team.
2. Business model and scalability.
3. Alignment with prioritized areas and spillover into the national ecosystem
4. Proposed investment plan.
5. Expected outcomes of project execution.

³ For startups in the biotechnology sector, the program reserves the right to consider projects in which the entrepreneurs hold less than a 51% equity stake.

9.1 URUGUAY CONDITION

In addition to the eligibility requirements, the selected startup must include Uruguay as part of its growth strategy. For such purposes, the ventures that receive financing from the Program must comply with the following conditions (hereinafter the "**Uruguay Condition**"):

- a) Have a local business company in the form of a corporation (*Sociedad Anónima*) with registered shares or a Simplified Joint Stock Company (*Sociedad por Acciones Simplificada*).
- b) Have a local bank account.
- c) At least one member of the founding team must have residence in Uruguay.
- d) Meet at least 2 of the following conditions:
 - (i) Relevant generation of employment in Uruguay: Evidence at least three talents hired in Uruguay.
 - (ii) At least 30% of the turnover of the company and/or subsidiaries made from Uruguay.
 - (iii) At least 50% of the expenses incurred with the investment must be disbursed to local suppliers.
 - (iv) Have a product or service available on the Uruguayan market, generating revenue or active users in the country.
 - (v) In the case of science-technology based startups, their research and development (R&D) activities must be carried out in a laboratory located in Uruguay.
 - (vi) Proof of filing a patent application related to the project, evidencing spillover to Uruguay, together with a road map of the patenting strategy.

The following shall be conditions precedent to the first disbursement:

- a) At least one member of the founding team must have residence in Uruguay.
- b) To have a local corporation (*Sociedad Anónima*) with registered shares or a Simplified Joint Stock Company (*Sociedad por Acciones Simplificada*).
- c) Have a local bank account.
- d) That the local company has at least one person in its payroll.
- e) In the case of a science-technology based startup, its research and development (R&D) activities must be carried out in a laboratory located in Uruguay.
- f) That the disbursement made by the co-investor of the committed contribution is reliably evidenced before the ANII.

ANII's contribution may be made in one or more disbursements, depending on the nature of the investment and the terms set forth in the relevant instruments.

If disbursements are to be made in more than one installment, the startup shall agree with ANII on a timeline for fulfilling the Uruguay Condition, and milestones related to this condition may be established as a prerequisite for the release of disbursements.

If the investment is made in a single disbursement, prior compliance with the conditions precedent and the components of the Uruguay Condition that are applicable at the time of the investment will be required.

10. INVESTMENT AGREEMENT

The investment will be conditioned to the execution of an Investment Agreement between the co-investor, the startup beneficiary of the Program and the ANII Trust which will stipulate the rights and obligations of each of the parties involved. The amount of the Program investment will be disbursed directly to the startup.

The startup beneficiary of the Program must have a corporation (*Sociedad Anónima*) with registered shares or a Simplified Joint Stock Company (*Sociedad por Acciones*

Simplificada) as well as a local bank account at the time of executing the Investment Agreement.

11. APPLICATION PROCESS

This call operates under the open window modality, subject to availability of funds.

Eligible investors must submit an expression of interest according to an application form that will be provided for such purposes.

Once the form has been submitted, it will be reviewed to ensure that it meets all the necessary requirements to begin the assessment process.

12. ASSESSMENT

The expressions of interest will be assessed by an Assessment and Follow-up Committee (hereinafter referred to as the "CES"), which shall be comprised of national and international experts. At the request of the CES, eligible investors may be invited to make a presentation of their proposal.

ANII's Board of Directors ultimately approves the eligible investors that will make up the registry.

13. FORMALIZATION

Those who have been approved to be part of the registry of eligible investors shall sign a master agreement with the Trustee, which will set forth general responsibilities and outline the compliance requirements established by the Trustee. Once such agreement has been signed, they will be able to submit proposals for co-investments in startups.

At such time as eligible investors submit a co-investment proposal in a startup and the proposal is approved, ANII will execute an Investment Agreement with the private investor(s) and the startup, based on the approved co-investment proposals.

14. NON-FULFILLMENT

Failure to comply with the obligations set forth in these terms may result in the temporary suspension of the right to apply for new co-investment opportunities or in removal from the investor registry, thereby preventing future participation in ANII programs. ANII's decision will be notified to the investor and will be final.

The measures outlined in the preceding paragraph are without prejudice to any legal action that ANII and/or the ANII Trust may take against the investor to seek compensation or protect their rights in the event of non-fulfillment.