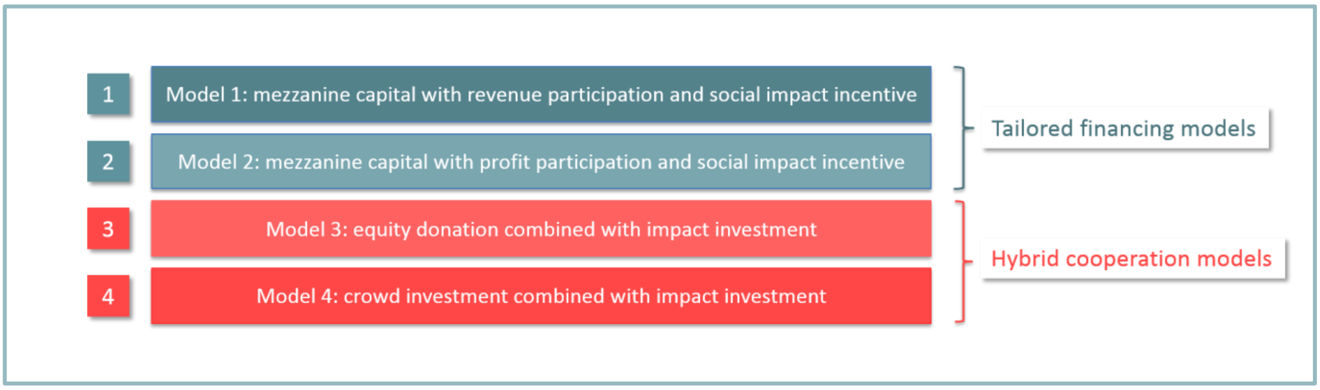
EXAMPLES OF HYBRID FINANCING MODELS DEVELOPED BY FASE



MODEL (1): MEZZANINE CAPITAL WITH REVENUE PARTICIPATION AND SOCIAL IMPACT INCENTIVE:

In this model, mezzanine capital is designed without loss participation. The investors receive a fixed interest rate coupled with a share in the enterprise's revenues. The goal is to define a target return for the investors while allowing the enterprise to develop its business without initially paying too much for the freshly raised capital. This is achieved by capping the investors' revenue share amount in the beginning. In the end, investors are entitled to catch up on their claims so that their target return is finally achieved. In addition, a social impact incentive mechanism is embedded in the model. The one-time final payment that the investors receive will be reduced if pre-defined impact key performance indicators (KPIs) have been achieved by the enterprise.

MODEL (2): MEZZANINE CAPITAL WITH PROFIT PARTICIPATION AND SOCIAL IMPACT INCENTIVE:

This second model principally follows the same structure as the first. Yet instead of a link to the social enterprise's revenue streams, the model features a profit participation mechanism: a fixed interest rate for the investor is combined with a share in the enterprise's profits (EBIT). Similar to model number one, a social impact incentive is embedded: It comes in the form of a one-time final payment that is dependent on the level of social impact that the enterprise is able to generate. To avoid any misinterpretations, this impact goal (in the form of one or several impact KPIs) should be defined as precisely as possible.

MODEL (3): EQUITY DONATION COMBINED WITH IMPACT INVESTMENT:

Model number three is unique as it combines philanthropic funders with impact investors and caters to the needs of social enterprises organized as so called "structural hybrids" (with non-profit and for-profit organisational entities). A foundation, a philanthropist or a group of private donors contribute a part of the overall financing amount by making a donation to the non-profit entity. This donation increases the non-profit's capital stock and enables it to hand over capital to the second entity of the hybrid enterprise: a fully owned for-profit subsidiary. To further support the financing of the for-profit arm, impact investors can now inject additional growth capital. This is typically done in the form of quasi-equity. Again, the impact investing part is very flexible and can come with features such as revenue or profit participation.

MODEL (4): CROWD INVESTMENT COMBINED WITH IMPACT INVESTMENT:

In this co-operation model between different types of funders, the financing is split between a crowd investment and an impact investment. For an enterprise organized as a structural hybrid, the crowdfunding part can be very beneficial as it is highly flexible: The crowd can either finance the non-profit entity via donations or support the for-profit organization with investments. Similar to model 3, the impact investment part is meant for the for-profit entity. It can be structured with the typical features and rights as described for the other models above.

For more details -> FASE's project report to the EU 2018