

OVERVIEW OF INSURANCE SOLUTION BETWEEN EQUIDATE, INC. AND MUNICH RE

Equidate¹ and **Munich Re**, one of the world's leading reinsurers with the Group's worldwide assets of approximately \$250 billion, have developed an insurance solution to protect against the counter-party risk of various securities purchased by Equidate from Shareholders in transactions involving equity in pre-IPO companies.

EQUIDATE'S BUSINESS MODEL

Equidate runs a marketplace for equity in pre-IPO **Companies**. Given many shares are non-transferable, Equidate regularly enters into agreements with **Shareholders**, and **Investors** to facilitate a future transfer of **Shares**.

As a part of these agreements, Shareholders receive liquidity for a certain number of Shares of their Company, and promise to transfer these Shares on the **Settlement Date** after a liquidity event – such as IPO or acquisition – when the Shares become freely transferable. Shares in a given Company are potentially sourced from multiple Shareholders, resulting in a Pool of that Company's Shares.

On the other side of the transaction, Equidate sells a proportionate interest in the Pool to Investors. Since the Investors are not receiving Shares immediately, they often inquire about counter-party risk exposure in case the relevant Shareholder(s) do not relinquish their Shares upon the liquidity event.

EXISTING PROTECTIVE PROVISIONS

Equidate had already put in place several protective mechanisms:

1. Since Investors are purchasing an interest in a Pool of Shares (which is backed by commitments from a number of Shareholders), their interest is risk-diversified, minimizing their exposure to any specific individual
2. Equidate has a claim to the proceeds should the Shareholder sell the their Shares through means without reserving enough Shares to fulfill the obligation on the Settlement Date
3. Shareholders grant Equidate a Power of Attorney to enforce their obligations
4. Equidate maintains a loan balance equal to the original purchase price of the securities plus an interest rate, which acts as a backup enforcement provision
5. Finally, to cover cases of Shareholder default, Equidate has entered into an insurance contract with Munich Re's wholly owned primary insurance carrier to cover losses

¹ Equidate, Inc. and its affiliates such as Equidate Holdings, LLC, Carrollton Capital Partners, and other affiliated entities

within a Pool caused by operation of certain insured risks which are detailed below, providing an additional layer of protection for Investors considering making an Equidate investment

COVERED EVENTS

Covered under this insurance solution are defaults by Shareholders in honoring obligations on the Settlement Date caused by operation of any of the following:

- a. **Fraud**: An intentional attempt by the Shareholder to deceive Equidate or a decision to not honor their obligation under, or not settle, their obligations to the Pool. This includes divorce, if the terms of the divorce intend to deceive Equidate and not settle their obligations.
- b. **Bankruptcy**: Chapter 7, Chapter 11 or Chapter 13 bankruptcy filings by the Shareholder at a US court or comparable filing by the Shareholder outside the US, or other settlements with Equidate in lieu of bankruptcy
- c. **Inheritance**: The obligations cannot be collected from Shareholder's heir(s), beneficiaries or estate upon the Settlement Date

THE TERMS AND PROCESS

The terms, conditions and limitations of the insurance solution are set out in the insurance policy and its appendices. The specific terms, including premium, transaction volume, limitations and other economics and conditions of the insurance solution are proprietary information, but the substantive process information regarding coverage and limitations are addressed here as follows.

The transaction process:

- Equidate's Pools shall be insured in this manner for transactions struck on the basis of securities instruments that are legally valid, and approved as part of the pool by Munich Re's primary insurance carrier (with certain exceptions where Equidate will explicitly notify Investors)
- Equidate will absorb upfront premiums as a part of its transaction costs
- Equidate continues to actively manage risk exposure through due diligence on Shareholders, legal review to ensure compatibility with Company transfer restrictions, certain caps or sublimits on transaction volume, etc.
- If, at any point, the insurance is terminated and new transactions are no longer covered, Equidate will promptly communicate this to Investors

The Settlement Date and Claim:



- Upon Settlement Date, a given transaction pool will have a terminal **Balance** (based on the cash-equivalent value of the Shares received by Equidate, plus any proceeds received from Shareholders through liquidation on public markets, special dispositions, etc.)
- Equidate will evaluate the status of the Pool when nearing the Settlement Date and determine whether a **Claim** would be filed for a loss, defined as the lower of a) Cash-equivalent value of the Pool minus Balance, b) Sum of the original purchase price of securities that comprised the Pool minus Balance
- Subsequently, Equidate files the Claim under the insurance, which would be assessed and approved as appropriate by Munich Re's primary insurance carrier
- Equidate will attribute any proceeds received out of the insurance to the appropriate Pool, and subsequently distribute the updated value of the Pool to Investors on a pro rata basis, as enumerated in their investment documents
- Subsequently, Munich Re and Equidate will work together to recover either the full Shares/proceeds, or at least the original purchase amount from Shareholders or their successors; Munich Re will first receive any recoveries up to the amount of losses already paid out under the insurance. Any recoveries in excess of this will (net of costs) be paid back by Equidate into the appropriate Pool, and distributed again out to Investors pro rata
- **Important Note: Neither Munich Re nor Munich Re's primary insurance carrier owes any liability whether directly or indirectly to the Investors; only Munich Re, Munich Re's primary insurance carrier, and Equidate Holdings, LLC are parties to the insurance contract and no third party, including any Investor has any rights under the insurance contract.**

**APPENDIX: OBLIGATIONS, LIMITS, EXCLUSIONS, DISCLOSURES, &
OTHER RELEVANT DETAILS**

EQUIDATE'S OBLIGATIONS INCLUDE: PAYMENT OF THE INSURANCE PREMIUM; CONDUCT DUE DILIGENCE ON SHAREHOLDERS TO ENSURE SHARE OWNERSHIP AND COMPATIBILITY WITH TRANSFER RESTRICTIONS; CONDUCT IDENTITY VERIFICATION, BACKGROUND CHECKS, CREDIT INQUIRIES, AND A BRIEF FINANCIAL QUESTIONNAIRE TO ENSURE AN APPROPRIATE RISK PROFILE; IMPOSE AND ABIDE BY CERTAIN CAPS OR SUBLIMITS ON TRANSACTION VOLUME CORRESPONDING TO AN INDIVIDUAL SHAREHOLDER, ON THE BASIS OF A) ABSOLUTE DOLLAR VOLUME, B) PERSONAL FINANCIAL STANDING, AND C) VARIOUS OTHER GUIDELINES TO ENSURE APPROPRIATE RISK EXPOSURE FOR THE OVERALL POOL; NOTIFY INVESTORS WHEN THEY ARE ENTERING INTO A TRANSACTION FACILITATED BY EQUIDATE BUT NOT SUBJECT TO THIS INSURANCE SOLUTION; EQUIDATE WILL PROVIDE REGULAR UPDATES TO MUNICH RE ON THE STATUS OF THE POOL, CONTRACT AND DUE DILIGENCE AND OTHER PROCESS UPDATES, ETC. FROM TIME TO TIME MUNICH RE MAY ALSO AUDIT EQUIDATE'S PROCESSES; MUNICH RE ALSO RETAINS THE RIGHT TO TERMINATE COVERAGE ON THE BASIS OF NON-PERFORMANCE OF PREMIUM, ON THE BASIS OF VIABILITY OF EQUIDATE'S BUSINESS MODEL, AND FOR OTHER REASONS WITH A REASONABLE NOTICE PERIOD; EQUIDATE MAY ALSO TERMINATE THE AGREEMENT UNDER CERTAIN CONDITIONS; IF A TERMINATION OCCURS, PAST TRANSACTIONS WILL CONTINUE TO BE COVERED TO A CERTAIN LIMIT FOR THE DURATION OF THE LIABILITY PERIOD, AND EQUIDATE WILL COMMUNICATE THIS CESSION OF COVERAGE PROMPTLY AND CLEARLY TO INVESTORS IN ALL PENDING TRANSACTIONS, AND PROMISES NOT TO INDICATE ANY FURTHER THAT THE POOLS WOULD BE COVERED UNDER THE ENGAGEMENT WITH MUNICH RE

COVERAGE LIMITS: THE INSURANCE SOLUTION PROVIDES BETWEEN \$20,000,000 TO \$60,000,000 OF COVERAGE WHILE IN EFFECT, DEPENDING ON THE TOTAL TRANSACTION VOLUME OF ALL POOLS THAT ARE COVERED BY THIS INSURANCE. THE HIGHER THE TRANSACTION VOLUME, THE HIGHER WILL BE THE LIMIT. THE LIMIT IS SHARED ACROSS ALL POOLS. INVESTORS CAN REQUEST FROM EQUIDATE THE UP-TO-DATE INFORMATION ABOUT THE ACTUAL AGGREGATED LIMIT GRANTED AS WELL AS ANY PORTION OF THE LIMIT ALREADY EXHAUSTED.

EXCLUSIONS: THE FOLLOWING LOSSES ARE NOT COVERED - VALUE OF THE POOL BEYOND THE SUM OF THE INITIAL PURCHASE AMOUNTS OF SECURITIES; VALUE OF THE POOL DUE TO PERFORMANCE OF THE UNDERLYING SHARES; RESULTING FROM FRAUD OR INSOLVENCY OF EQUIDATE OR ANY THIRD PARTY OTHER THAN THE SHAREHOLDER

(WITHOUT INSURED RISKS AS ULTIMATE CAUSE) – EQUIDATE TRANSACTIONS ARE CONDUCTED THROUGH POOLS MANAGED BY AFFILIATED ENTITIES OF EQUIDATE, INC. AND THE ASSETS AND CONTRACTS OF THE POOLS WILL BE MANAGED BY A TRUSTED THIRD PARTY INDEPENDENT OF THE STATUS OF EQUIDATE, INC.; RELATED TO REGULATORY ENFORCEMENT ACTIONS – EQUIDATE HAS EXTENSIVELY ENGAGED A PREMIER SECURITIES LAW FIRM, HOGAN LOVELLS, FOR THIS PURPOSE, BUT MUNICH RE CANNOT VOUCH FOR EQUIDATE’S COMPLIANCE WITH SECURITIES LAW IN RESPECT OF THE SECURITIES TRANSACTED OR THE AGREEMENTS THAT RELATE THERETO; RESULTING FROM LEGAL RISKS RELATED TO VALIDITY OF EQUIDATE’S CONTRACTS (WITHOUT INSURED RISKS AS THE ULTIMATE CAUSE), OR ACTIONS BY THE COMPANY ISSUING THE UNDERLYING SHARES TO DENY SHARE TRANSFERS – EQUIDATE HAS ESTABLISHED A ROBUST SET OF CONTRACTS BASED ON DECADES OF LEGAL EXPERIENCE AND CONDUCTS A THOROUGH REVIEW OF SHAREHOLDER DOCUMENTS TO ENSURE THIS; BUT MUNICH RE’S ROLE IS INSURING THE PERFORMANCE OF SHAREHOLDERS IN THE CORRESPONDING POOLS, NOT THE NATURE OF EQUIDATE’S CONTRACT ITSELF; DUE TO DIVORCE (OTHER THAN FRAUDULENT OR RESULTING IN BANKRUPTCY) – EQUIDATE INTENDS TO EXECUTE SPOUSAL CONSENT AGREEMENTS WITH SIGNIFICANT SHAREHOLDERS TO PROTECT AGAINST THIS RISK