

## Carried Interest by Verified Impact Calculations (CIVIC)

### Financial Distributions as Described in the Private Placement Memorandum

*In general, distributions will be initially apportioned among the [Partners] in proportion to their respective capital contributions to [the Fund]. Amounts initially apportioned to a [Limited Partner] will then be distributed:*

*First, 100% to that [Limited Partner] until that [Limited Partner] has received aggregate distributions under this clause equal to its aggregate capital contributions to [the Fund], and thereafter, (i) 80% to that [Limited Partner] and (ii) 20% to either the [General Partner] or a non-profit organization, as determined below under “Impact Test” (this 20% share, the “Carried Interest”).*

### Impact Test as Described in the Private Placement Memorandum

*In addition to generating a financial return to its [Partners], [the Fund] seeks to achieve one or more environmental, social, governance, or other similar goals (the “Impact Test”). The [General Partner] will develop the Impact Test in its sole discretion. The [General Partner] will cause [the Fund] to issue, at least annually, an impact report that sets forth the degree to which the Impact Test was satisfied as of the end of the time period covered by that impact report.*

*Carried Interest will accrue pursuant to the above distribution mechanism regardless of the extent to which the Impact Test is met. The portion of accrued Carried Interest that the [General Partner] (or its designee) will be distributed is determined at each time that [the Fund] issues an impact report.*

*The [General Partner] (or its designee) will receive Carried Interest distributions equal to the amount, if any, by which (i) the accrued Carried Interest multiplied by the percentage by which the Impact Test was satisfied as of [the Fund]’s most recent impact report exceeds (ii) the aggregate distributed Carried Interest. Carried interest recipients are not required to return any previously distributed Carried Interest if the percentage by which the Impact Test is satisfied decreases after the distributions.*

*If upon [the Fund]’s final liquidating distribution there is accrued and undistributed Carried Interest that the [General Partner] (or its designee) is not entitled to receive because the Impact Test is not sufficiently satisfied, then that portion of the Carried Interest will be contributed to a non-profit organization chosen by the [General Partner].*

*In order to determine the extent to which the Impact Test is met at any given time, [the Fund] will obtain from [Portfolio Company] audited or independent impact information to determine the degree to which the Impact Test is satisfied.*

## **Distribution Waterfall in Section [X] of the [Fund Agreement]**

- a) *The [General Partner] may distribute cash, securities, or other [Fund] assets to the [Partners] on one or more occasions in its sole discretion.*
- b) *Distributions under this Section [X] are initially apportioned among the [Partners] in proportion to their respective capital contributions to the [Fund]. Amounts initially apportioned to a [Limited Partner] will then be distributed:*
  - i) *first to that [Limited Partner] until that [Limited Partner] has received aggregate distributions under this clause (i) equal to its aggregate capital contributions; and then*
  - ii)
    - A) *80% to that [Limited Partner] and*
    - B) *20% as the “Carried Interest”, with the Carried Interest being distributed to the Carried Interest Recipients only to the extent that doing so does not cause (I) the aggregate distributions of Carried Interest to the Carried Interest Recipients, as a percentage of total Carried Interest (whether distributed or not), to exceed (II) the percentage by which the Impact Test was satisfied as set forth in the most recently delivered Impact Report.*
- c) *If at the time of the [Fund]’s final liquidating distribution there is undistributed Carried Interest that the [General Partner], because of Section [X](b)(ii)(B), is not permitted to cause the [Fund] to distribute to the [General Partner] or the [General Partner]’s designees other than Non-Profits (each, a “Carried Interest Recipient”), the [General Partner] shall cause the [Fund] to distribute that Carried Interest to one or more non-profit organizations selected by the [General Partner] (each, a “Non-Profit”).*
- d) *Notwithstanding any provision to the contrary contained in this Agreement, the [Fund] shall not make a distribution to any [Partner] on account of its interest in the [Fund] if that distribution would violate the Act or other applicable law.*
- e) *Notwithstanding anything to the contrary contained in this Agreement, to the extent an amount distributable to a [Partner] would create or increase a deficit in the [Partner]’s Capital Account, that amount shall instead be distributed to the [Partners] in proportion to their respective positive Capital Account balances.*
- f) *Immediately before each distribution in kind, the Deemed Gain or Deemed Loss of any assets distributed is allocated to the Capital Accounts of all [Partners] as Profit or Loss under Section [allocation section].*

- g) *Assets distributed in kind are subject to the conditions and restrictions that the [General Partner] determines are legally required or appropriate.*
- h) *Notwithstanding any other provision of this Agreement to the contrary, if the [Fund] is obligated to return distributions to the Portfolio Company or any other Person, each [Partner] shall return its share of that obligation (determined in accordance with relative distributions received from the [Fund] by the [Partners]) upon ten business days' notice from the [General Partner]. The obligation set forth in the immediately preceding sentence survives the termination of the [Fund] and terminates only upon termination of the [Fund]'s obligations to the Portfolio Company or any other investment counterparty. If a [Partner] fails to return distributions to the [Fund] as required under this Agreement, the [General Partner] may enforce that obligation, and the [Fund] has all remedies available at law or in equity in addition to those set forth in Section [\_\_\_].*

### **Impact Test in the [Fund Agreement]**

*The [General Partner] shall develop a test by which to measure the [Fund]'s success in meeting one or more environmental, social, governance, or other similar goals (the "Impact Test"). After the [General Partner] has developed the Impact Test, the [General Partner] shall cause the [Fund] to deliver to the [Partners], at least annually, an impact report that sets forth the degree to which the Impact Test was satisfied as of the end of the period covered by that report (an "Impact Report"). The [General Partner] shall use audited or independent impact-relevant information when preparing each Impact Report and may use a report issued by the Portfolio Company or an independent consulting firm as an Impact Report. For the avoidance of doubt, the [General Partner] may cause the [Fund] to deliver Impact Reports more frequently than annually. Until the first Impact Report is issued, the Impact Test is deemed to be 0% satisfied for purposes of Section [X](b)(ii)(B).*

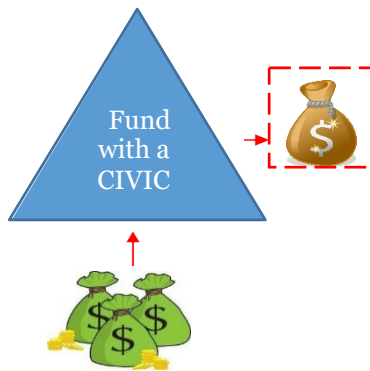
**Carried Interest by Verified Impact Calculations (CIVIC) Schematic**

**Step 1:** Private equity fund adds CIVIC term to standard term sheet and LPA

**Step 2:** Private equity fund defines impact test and metrics in an exhibit

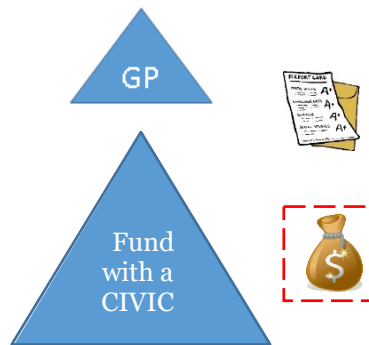


**Step 3:**



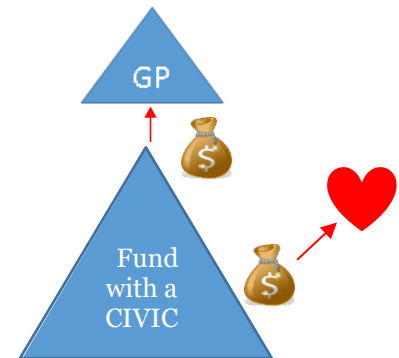
Fund earns profit. Carried interest is calculated, but reserved

**Step 4:**



GP issues annual impact report that determines carry

**Step 5:**



Defined by impact test, carry is split between GP or possibly to non-profit