



Clarification Document to the Call for Expression of Interest – CZFoF 2017/01 to select Financial Intermediaries that will receive resources from the Czech ESIF Fund-of-Funds and EIF co-investment to implement the following Financial Instruments: Accelerator & Seed Capital Fund(s) and/or Venture Capital Fund(s)

The aforementioned Call for Expression of Interest (further “CEOI”) stipulated that: “Requests for clarifications from Applicants shall not receive individual replies. Instead, answers to relevant requests for clarifications received within the relevant deadline will be published together in a Clarification Document to be posted on the website www.eif.org, at the latest on 10 April 2017”.

In accordance with this provision, we hereby present such a clarification document. Capitalised expressions utilised below shall have the meaning attributed to them in the CEOI, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by EIF and in a random order.

Q1	What will be the minimum allocation per Fund Manager?
A1	There is no minimum allocation. However, for any fund to be economically viable, it needs to reach a certain minimum volume (that includes commitments from other parties, not just the allocation under the CZFoF), which will depend on various aspects, such as the planned strategy. The viability of the proposed fund size will be assessed individually by EIF in each Applicant’s Expression of Interest.
Q2	Will be the Fund Managers allowed to use the allocation as part of the bigger Central and Eastern European fund or to manage two separate funds (i.e. CZ & CEE)?
A2	The Fund Manager can manage two separate funds – in such case, EIF will assess whether the time commitment of the fund management team to the Czech fund would be sufficient. In principle, EIF could possibly also commit to a bigger Central and Eastern European fund – in this case, all the conditions listed in the CEOI would still need to be respected in relation to EIF’s commitment ¹ including, in particular, the requirements for private co-financing reaching investee companies. The Fund Manager would also have to ensure dedication of specific team members, implementing a separate dedicated investment strategy, to the Czech compartment of any fund with a broader geographic scope.
Q3	Can EIF provide more detailed information in regards to reporting guidelines?
A3	As per the CEOI (see p.7 of Annex 2. Part 1.2.a – Financial Instrument: Accelerator & Seed Capital Fund and p.6 of Annex 2. Part 1.2.b – Financial Instrument: Venture Capital Fund), reporting will mainly reflect the industry’s standards, based on Invest Europe’s guidelines for reporting that can be found here . As the main source of

¹ When referring to EIF’s commitment in this Q&A, reference is made to the funding committed by EIF from both the CZFoF and its own resources.

	funding comes from the European Structural and Investment Funds, there will be additional requirements for reporting under the EU legislation that will be specified in the Operational Agreements with selected Fund Managers, but these will not represent a substantial additional burden compared to the standard reporting requirements.
Q4	Can we have a draft of the Operational Agreement?
A4	EIF does not provide advance drafts of Operational Agreements. Indeed, first drafts are usually provided by selected Fund Managers themselves. The legal agreement will reflect standards and best practice typical to the venture capital and private equity industry. EIF will only negotiate Operational Agreements with Fund Managers that have successfully proceeded through the due diligence stage.
Q5	First to quote from Annex 2. Part 1.2.a – Financial Instrument: Accelerator & Seed Capital Fund, the part about Place of business of Eligible Investees: "The fund will primarily target investments outside of the Prague region (according to the main place of business), while up to [20]% of committed capital will be permitted to be invested in enterprises within the region of Prague." Based on 5+ years of experience as the leading Czech seed accelerator I'm afraid there are not enough quality startups outside Prague to present 80% or more of funded startups in such a fund. With this knowledge let me ask you to clarify the note "This limit shall be increased in case additional funding for the Prague region materializes.". Is the increase conceivable when we raise the additional funding from our sources or private investors? And to what %?
A5	As the additional funding for the Prague region has not materialized as of the date of the publication of these clarifications, we recommend the Applicants to prepare their proposals based on the information currently presented in the CEOI. Should the additional funding materialize at some point before the deadline of the CEOI, a corresponding update will be published on the website. This additional funding does not depend on the Applicants' ability to fundraise, but is a decision of the Managing Authority responsible for the OP Prague – Growth Pole. In terms of the location of investments, this is a one-off consideration at the time of investment, and it is quite usual that start-ups position themselves according to where they consider funding opportunities to be better.
Q6	According to financing of the fund, is there any necessary ratio expressing Applicant's own investment in the fund relational to investment of the EIF?
A6	The required minimum for the Applicant's own commitment to the fund under both the Accelerator & Seed Capital Fund and the Venture Capital Fund represents 2% of total fund commitments (i.e. of all investors, including the Fund Manager).
Q7	If, there is this necessary ratio mentioned at first clarification, can applicant obtain more points regarding to quality assessment criteria (mentioned in Part II: SELECTION CRITERIA for the Financial Intermediary, section 2.2.1) in case that Applicant's investment in fund exceeds necessary ratio?
A7	While a higher commitment from the Fund Manager than the minimum required will be assessed favourably, it represents only one of the aspects to be assessed by EIF during the qualitative assessment of Applicants' proposals.
Q8	Based on Annex 2. Part 1.2.a – Financial Instrument: Accelerator & Seed Capital Fund, how manager of the fund is required to demonstrate Fund Manager's commitment of 2% of fund size, to be decided as an alignment tool between investors and the manager? Is there possibility to demonstrate commitment through Declaration of Honour by Fund Manager?
A8	This is entirely left to the discretion of the Applicants. The Applicants' ability to secure

	the proposed commitment will be assessed more closely during the selection process.
Q9	According to Appendix 2 to EoI, section Management, is it required to demonstrate team members' track record in risk capital transactions by Declaration of Honour by every team member?
A9	The Applicants' track record should be clearly presented and will be assessed more closely during the selection process. Any claims made by the Applicants proceeding to the due diligence stage will be challenged.
Q10	The indicative capital range on Financial Instrument Accelerator & Seed Capital Fund has been set on level up to 20 million EUR. Are Applicants obliged to clarify amount of financing which we have the aim to gain from overall 20 million EUR?
A10	Yes, Applicants should state the amount of funding requested, which should be linked to and justified by the Applicants' proposed strategy and fund model.
Q11	Ownership structure of Fund Manager (FM) Are there any restrictions/limits to ownership between Sponsors (private investors) and Fund Manager? Is there any specific view/recommendation on the allocation of the shares of Fund Manager to FM principals?
A11	The repartition of the shareholding of the Fund Manager between the team is entirely left to the discretion of the Applicants but should ensure alignment between the team commensurate with the timeframe of the fund. It is not usual or seen favourably that Private Investors maintain ownership in the Fund Manager. As a general consideration, any structure has to be justified and independence of the Fund Manager has to be ensured.
Q12	Financial instruments What are the structural (e.g. repayment, conversion schedule) limits for the quasi-equity instruments? For the purpose of this project we consider and further evaluate following: a) Mezzanine b) Convertible bonds c) Junior-subordinated debt Are there any limits you would like to impose with respect to the proportion of equity/quasi-equity per each investee?
A12	This is entirely left to the discretion of the Applicants and their proposed investment strategies.
Q13	Allocation for the region Prague Under the terms of the Call, it is mentioned that further capital allocation of EUR 12.5mil for the Prague region will be considered. Can you give us a view on the visibility and status of this allocation? If the situation is positive, will the terms of "Prague region" allocation be coherent to the terms of the Call? How shall the allocation be divided between Seed and Venture part?
A13	Please refer to Answer 5 above as regards the potential additional allocation for the Prague region. If the allocation materializes, it will be subject to all the same conditions already presented in the CEOI. The split of the allocation between the two instruments would be dependent on the proposals received by EIF.
Q14	Deadline for the Submission Assuming the complexity and desired professional quality of the offer, and coming public holidays (Easter, May/Holidays) would you consider an extension of the submission deadline for additional 2 weeks?
A14	The overall duration of this CEOI is in line with EIF's usual practice. EIF may consider an extension to the deadline for the CEOI. If so decided, an update will be published on the website. We recommend the Applicants to prepare their proposals respecting the currently indicated deadline and to keep track of the website for any potential

	updates.
Q15	Pipeline of potential projects As a part of the investment strategy, would you desire and encourage all potential participants to introduce their pipeline of potential projects as a part of submission of Expression of Interest?
A15	The Applicants are encouraged to provide as much information as possible. A pipeline of potential projects falls within the scope of the requested information.
Q16	Additional capital allocation to venture fund from EiF What is the probability that EiF will consider an increase of EiF's capital allocation in Venture part? Are we encouraged to express an EoI for higher capital allocation as indicated in the Call CZFoF 2017/01?
A16	In principle, the CEOI allows Applicants to apply for an amount up to the full EUR 50 million, but it should be noted that the split between instruments and corresponding ranges are based on the programme's strategic goals and EIF's experience. Any application beyond the ranges indicated would need to be duly justified in the proposed investment strategy.
Q17	Is it possible for the Financial Intermediary/Fund Manager to be a self-managed multi-fund investment company with variable share capital (SICAV) licensed and regulated by the Malta Financial Services Authority, with investment focus on Central Europe, international Board of Directors and very strong Investment Management team composed mostly of Czech nationals experienced in the fields of accelerator and seed capital as well as venture capital, or would it rather be required/looked upon more favourably for the Financial Intermediary/Fund Manager to establish up a new fund management structure under Czech regulation?
A17	The proposed jurisdiction and legal form is entirely left to the discretion of the Applicants, within the boundaries of the restrictions listed in the CEOI. The fund must be a new fund, to be managed by either an existing Fund Manager or a newly formed one.
Q18	Is our understanding correct that the "First closing of the fund" date, as mentioned on several occasions throughout the Call, is the day on which the final Private Investor and/or EIF contractually commits to the funding (whichever comes last), notwithstanding the fact that one or more investments to start-ups may have already been made prior to this date?
A18	An existing fund cannot be considered so in no case can investments have taken place already. The first closing of a fund is the date at which the fund has reached its communicated minimum viable size in the form of investors contractually committing to the fund. Further closings are then not excluded in case of additional investors to come on board.
Q19	Will a Private Investor contribution be considered as valid part of the 30% minimum contribution if already raised (ie., already today on the funds' bank account)?
A19	Any private investment already raised, to be considered towards the Private Investor contributions, must be dedicated to the new fund.
Q20	Will a contribution be considered a valid part of the obligatory minimum Private Investor contribution even if already partially invested in start-ups prior to the submission of the Expression of Interest?
A20	No. Please refer to Answer 18.
Q21	Would the Fund Manager be considered independent in case (i) its investment decisions within the fund will be contractually set out as fully independent from the Private Investors; but, at the same time (ii) one of the Private Investors would hold a majority share in the Fund Manager?

A21	Independence of the Fund Manager has to be ensured and will be assessed individually depending on the full details of the particular structure being proposed. Please also refer to Answer 11.
Q22	Can you disclose the template of the Operational Agreement and/or confirm that it would not contain any material provisions in addition to the provisions described in Annex 2 (Financial Instrument: Description and Selection Criteria) or elsewhere in the Call?
A22	Please refer to Answer 4. All provisions to be included by EIF in any Operational Agreement will reflect the conditions set out in the CEOI.
Q23	During which period is the hurdle rate calculated? Is it during the full fund duration or only during the obligatory maximum investment period of 5 years?
A23	The hurdle rate is calculated based on the fund IRR and therefore applies for the full duration of the fund.
Q24	Regarding required periodical reporting information: a. Must the periodical information be prepared in line with The Invest Europe Handbook of Professional Standards - Section Invest Europe Investor Reporting Guidelines? b. Is it possible to report financial periodical information prepared according to the Czech Act No. 563/1991 Coll., On Accounting (Czech Accounting Standards)? c. What is the required periodical information and its standardized form that will be specified in the Operational Agreement?
A24	Please refer to Answer 3.
Q25	Is it acceptable for EIF/CZFoF to have conditions <u>more</u> favourable than those applicable to individual Private Investors (eg. in case the hurdle would not apply to already contractually bound Private Investors but would apply to EIF/CZFoF)?
A25	Please note the previous references to the requirement for a new fund, and therefore there should not be a case of existing contractually bound investors. As stated in the CEOI, pari-passu structures are strongly preferred where possible.
Q26	Under what conditions does the fund becomes obligatory GBER-compliant (with higher Private Contribution required) (eg., depending on whether or not invested companies already present in the market for less than 7 years; or when the investment conditions are not pari passu)?
A26	Any equity investments with funding derived from a public source as well as at least 30% co-financing from Private Investors (e.g. in the case of this CEOI, either through the fund that already includes Private Investors or from private co-investors on the deal level) and which are made on pari-passu conditions, are not considered as State aid and therefore do not need to comply with the GBER. Equity investments not complying with these conditions are required to follow the corresponding regulations (either the De Minimis Regulation or the GBER, as applicable).