

IEGULDĪJUMS TAVĀ NĀKOTNĒ!

This Q&A list is indicative and is for discussion purposes only and consequently does not give rise to any binding obligations on EIF. The answers are based on current market conditions and consequently any material market changes may have an impact on the content of these answers. The answers are not exhaustive and are subject to further review, including EIF due diligence and comprehensive review of the applicable regulatory requirements.

Call for Expression of Interest JER003-1

Questions and answers

Q1	ANNEX 1 Section 3 of published Call specifies a list of documents that shall be provided with an expression of interest, including General description of the Candidate. Could you please specify the information required when describing the track record of Candidate and provide any template or form of presentation?
A1	<i>We have no specific template as regards track record presentation. Candidates are invited to make their own presentation regarding relevant track record.</i>
Q2	Further, would you consider track record of the applying company, track record of individual team members or both?
A2	<i>We would consider all relevant track record, which may be at individual level, company level or both.</i>
Q3	Could you indicate a general expectation of the document length of the General description?
A3	<i>There is no set expectation on document length.</i>
Q4	ANNEX 1 Section 3 of published Call specifies that applicants have to provide CVs of key personnel. Could you please specify the expected level of detail regarding professional experience and education and provide a template if appropriate?
A4	<i>We have no specific template for CVs. We would expect submitted CVs to outline main academic, professional and other relevant experience.</i>
Q5	How to handle the situation if some of the bidder's team members have not yet signed official contracts with the bidder?
A5	<i>Disclosure of intended members of the team who have not yet signed official employment contracts with the fund manager may be made, so long as their status is made quite clear.</i>

Q6	ANNEX 1 Section 3 of published Call specifies that applicants have to provide document called Project details. Could you please specify expected length of the document?
A6	<i>There is no set expectation on document length.</i>
Q7	ANNEX 1 Section 3 of published Call specifies that applicants have to provide copies of Registration certificate, VAT certificate and personal identification documents of Candidate's Representative. Provided that these documents are in Latvian would the English copies of applications have to include translations of above mentioned documents or just copies of the original documents?
A7	<i>Copies of original documents (as long as those are in English or Latvian) would be sufficient at this stage.</i>
Q8	Is it really so that at initial stage applicants do not need to list and prove their private investor list or at least the fund raising capacity? What information and assurances about the investor committing private funds needs to be submitted? Will the applicant be disadvantaged in any way if the final agreement with the investor is not reached, but there is letter of intent?
A8	<i>Information on private investors needs to be provided in "Project detail" document attached to Expression of Interest, including any already existing firm commitments, serious negotiations and fund-raising plan. All relevant and up-to-date information should be submitted and will be assessed accordingly. As a general practice, private investors will have to be screened (and monitored) according to Anti-Money Laundering/Know Your Customer regulations; if there are no regulations applicable, the EIF would expect a confirmation of such screening on a voluntary basis and would expect an explanation of how such screening was performed (which criteria, what technical means etc.). As a result, the management company should know all private investors, their background, beneficial owner and origin of invested funds. Applicants invited to negotiate (2nd stage of selection) will be asked to provide detailed information as a mandatory requirement.</i>
Q9	Is "Project details" document legally binding, meaning can applicant adjust terms and conditions set out in expression of interest, when submitting proposal in answer to invitation to negotiate.
A9	<i>It is expected that the terms and conditions detailed in the answer to the invitation to negotiate will be in line with those in the submission of expression of interest. Final legally binding terms will only be in place upon final negotiation and signature of a fund agreement.</i>
Q10	ANNEX 4 of the published Call, clause 29 specifies that within seed capital funds investment can be received by micro, small and medium enterprises. Considering the nature of the instrument (as proof of concept funding) we see that many applicants could be private individuals and researchers within universities. Does EIF see mechanisms how seed capital funds could finance proof of concept projects of private individuals and/or universities (assuming that they do not have to incorporate a special purpose vehicle for this purpose)?
A10	<i>ANNEX 4 of the published Call, clause 11 specifies that <u>"For the purpose of these Regulations, micro, small and medium enterprises are persons who correspond to the definition set in Annex 1 of the Commission Regulation No 800/2008."</u> Commission Regulation Nr.800/2008 specifies <u>"An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form."</u> Private individuals and researchers engaged in an economic activity are treated as enterprises under this clause.</i>

Q11	ANNEX 4 of the published Call, clause 31 specifies that seed capital investment is made in the form of loan. Taking into account the nature of the instrument we would like to point out that commonly investors would write-off the financing if a project turns to be unsuccessful or would convert the funding into equity – if successful. We would like to understand EIF position regarding the use of the instrument and expected terms when investing into projects.
A11	<i>We would expect the seed capital fund management company to operate according to best industry practice, which includes “write-off the financing if a project turns to be unsuccessful or convert the funding into equity – if successful”.</i>
Q12	Why there are no criteria set on the ownership of fund manager? Is it any advantage/disadvantage if some of private investors are co-owners?
A12	<i>The ownership of the fund manager will be assessed as part of the due diligence process.</i>
Q13	There is no evaluation criteria on the quality/reputation of private investor base - is it really so?
A13	<i>The quality/reputation of the private investor base will be assessed as part of the due diligence process.</i>
Q14	How much money EIF expects to come from applicants themselves? If we commit 2% and our competitor commits the whole 30% out of 100% would they rank automatically higher?
A14	<i>It is expected that fund managers will commit their own money to the start-up, business-angel and venture capital funds. No commitment is expected in the seed fund. The appropriateness of the % commitment will be assessed as part of the due diligence process.</i>
Q15	Why EIF places importance on experience on technology transfer (ANNEX 3 of published Call, subsection 1.6) and experience on intellectual property rights (ANNEX 3 of published Call, subsection 1.7)? What specifically EIF will be looking for? How much weight will you put on these criteria?
A15	<i>Seed and start-up funds are expected to be targeting technology-intensive projects, thus relevant experience will be taken into consideration.</i>
Q16	Is it really ok that the applicant will be a company which is not registered in Latvia right now?
A16	<i>According to selection criteria <u>“The project applicant is registered in the Republic of Latvia, it has all necessary permissions and licenses to perform its duties in accordance with national legislation.”</u> According to published Call <u>“FIs in the process of being legally constituted may submit the Expression of Interest. In the latter, the management team and/or the shareholders shall be identified, and the FI shall be legally constituted, at the latest for the signing of the Operational Agreement.”</u> It means that Expression of Interest may be submitted by company not registered in Latvia, but clearly indicating intention to register legal entity in Latvia, but funding agreement will only be signed with legal entity registered in Latvia. Additionally, compliance with EIF Offshore Policy has to be ensured.</i>
Q17	In case it is envisaged to set up a new legal entity to act as a fund management company, should it be done already before submitting of expression of interest? Or can expression of interest be submitted by other legal entity, clearly outlining intention to set up new legal entity as well as its envisaged ownership structure?
A17	<i>Expression of interest can be submitted by other legal entity, clearly outlining intention to set up new legal entity as well as its envisaged ownership structure. The legal entity submitting the expression of interest will be deemed liable to EIF for the information and confirmations, undertakings, representations etc. declared in the expression of interest.</i>

Q18	Is there a clear regulation whether the fund management company is allowed to receive payments from portfolio companies? (Normal practice in private equity industry should be that source of income for fund management company is management fee from investors and carried interest, not income from portfolio companies)
A18	<i>We would expect that any fees received by the fund management company from investee companies would be offset against the management fee the investors have to pay.</i>
Q19	In the same context – is there a clear regulation whether there may be differentiation of management fee levels between EIF and private investors?
A19	<i>Differing management fee levels between public and private investors are not envisaged.</i>
Q20	What legal form could be used for setting up the management company?
A20	<i>There is no set expectation on legal form of management company as long as compliance with EIF Offshore Policy is ensured.</i>
Q21	Could the management company be responsible for other funds as well? Whether it could be considered as disadvantage in application process?
A21	<i>Management company can manage several funds. Impact from managing other funds will be evaluated on case by case basis</i>
Q22	If two management companies would like to submit the combined bid how shall the joint bid be structured? Set up new joint company in Latvia, use existing structure on one of the companies etc?
A22	<i>There is no set expectation</i>
Q23	What is the minimum and maximum size of the bid?
A23	<i>Minimum is not set, maximum is up to total allocation per instrument as set in published Call.</i>
Q24	If the total size of the bids which were invited for the final negotiations are higher than the amount dedicated to relevant instrument (type of funds) as set in published Call, will the funds be allocated proportionally to the size of bids or by using some other criteria?
A24	<i>This will be considered depending on the quality of proposals, number of applicants and other market factors.</i>
Q25	Do you have any criteria or benchmark for the size of the carried interest? Do we need to submit our proposal regarding carried interest or it will be decided by EIF?
A25	<i>There is no set criteria, but it is expected that carried interest proposals should be in line with industry practice</i>