

Financial Instrument	Venture Capital Fund(s)
Envisaged state aid regime	<p>Envisaged to be Article 21 of the General Block Exemption Regulation¹ (GBER) or state aid free in case of pari-passu investments with Private Investors and at least 30% private co-financing at the fund level or at the level of each underlying investment.</p> <p>The Fund Manager will be responsible for ensuring that investments respect the provisions of the GBER, if applicable, and such responsibility will be acknowledged contractually.</p>
Investment focus	The investment strategy shall be focused on innovative early stage companies with high growth potential, with a predefined split in allocation between the Prague region and the rest of the Czech Republic (see “Place of business of Eligible Investees” section below for more detail).
Investment range	<p>Typically up to 15% of the total fund size in any single investee (with possible fund advisory board approval in case the limit needs to be exceeded). In no case more than EUR 15m per investee and subject to the minimum levels described under “Private Investor contribution” and state aid cumulation rules.</p> <p>The fund may start investing early in the earlier stages of the company development and have the potential to follow on in next rounds. However, it could also participate directly in A-rounds, provided appropriate opportunities occur.</p>
Eligible Investees	<p>Eligible micro, small or medium-sized enterprises (SMEs) and respectively eligible activities to be financed shall comply with the following criteria:</p> <ol style="list-style-type: none"> 1. The investee is an SME² at the date of the investment; AND 2. The investee is not an enterprise in difficulty, as defined by the GBER Article 2(18). <p>Additional eligibility criteria are listed in the Support Programme – VENTURE CAPITAL Sections 4, 5.3, 5.4 and Annex 1 (see ANNEX 3 to this Call for Expression of Interest).</p> <p>For GBER-compliant funds, investments into Eligible Investees shall also comply with GBER Article 21(5).</p> <p>The investee shall not be engaged in any of the sectors listed under “Prohibited types of sectors and activities”.</p>

¹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

² As defined in the Commission Recommendation 2003/361/EC of 6 May 2003, and in the Annex 1 of Commission Regulation (EU) No 651/2014 of 17 June 2014, as amended from time to time concerning the definition of micro, small and medium-sized enterprises

	<p>The investee will use the financing for the purpose of innovation, as defined in the “Oslo Manual - Guidelines for Collecting and Interpreting Innovation Data”, 3rd Edition, Chapter 3. The fulfilment of this obligation shall be deemed to be met based on the representations or undertakings provided by the investee at the time of receiving the financing.</p> <p>The investee shall declare its full ownership structure³. The investee and all its owners (including “ultimate owners”) shall not be registered in tax havens (see ANNEX 4 to this Call for Expression of Interest).</p>
Replacement capital	<p>The fund can provide replacement capital⁴ only if the latter is combined with new capital representing at least 50% of each investment round into the enterprise.</p>
Private Investors	<p>Private Investors shall be deemed to be any investors which, in the reasonable determination of the Fund Manager, are normal economic operators (i.e. investors operating in circumstances corresponding to the market economy investor principle in a free market economy, irrespective of the legal nature and ownership structure of such operators, to the extent that they bear the full risk in respect of their investment). Private Investors are economically and structurally independent (not a shareholder) from the eligible undertaking in which they invest. Upon the creation of a new company, Private Investors, including the founders, are considered to be independent from that company. In this context, funding with resources, which are not State resources within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union, is considered to be provided by Private Investors.</p> <p>In addition, in case of co-investments with Private Investors on a deal-by-deal basis, Private Investors (i) are economically and structurally independent from the Fund Manager, and from any entities and/or individuals connected thereto, and (ii) are economically and structurally independent from the eligible beneficiaries where an investment is made, and from any entities and/or individuals connected thereto (for avoidance of doubt, in the case of a follow-on investment, the existing shareholders that are not founders of a company may be considered).</p>
Private Investor contribution	<p>The Fund Manager shall ensure participation of private investors other than EIF or the Fund Manager itself at the fund level or enterprise level. Overall, a minimum of 30% private financing at the fund or enterprise level shall be ensured.</p> <p>For GBER-compliant funds, a higher private financing participation may be required (as a minimum at the underlying investment level), should the investment strategy not be targeted only at pre-commercial stage of enterprises, in compliance with the respective private financing thresholds set out under GBER Article 21(10-11).</p>

³ In the meaning of § 4 (4) Act No 253/2008 Coll. (Czech Republic)

⁴ The purchase of a minority stake of existing shares in a company from another private equity firm or from another shareholder or shareholders.

Investment period	No longer than 5 years from the first closing of the fund ⁵ .
Follow-on investments	<p>Provided that the following conditions are met:</p> <p>(1) EIF has made a commitment to the fund, through the signing of an agreement with the Fund Manager before 31 December 2017, and</p> <p>(2) at least 55% of the commitments are invested in SMEs or paid out as management fees by 31 December 2023, commitments equal to up to 20% of the invested capital, deducting any exits made by the end of 2023, can be allocated for follow-ons after 31 December 2023. The period through which follow-on investments can be made cannot exceed four years after 31 December 2023.</p> <p>If the above follow-on capacity would not allow fully executing the fund investment strategy, further solutions may be analysed.</p>
Type of financing	Equity and / or quasi-equity.
Fund duration	10 + 1 + 1 years (with extensions being subject to an investor or advisory board approval).
Fund Manager	<p>A Financial Intermediary selected by EIF to manage the Financial Instrument. The Fund Manager must be independent, managed on a commercial basis and must be in a position to take the management and investment decisions independently, in particular without the influence of investors, sponsors or any other third party which is not integrated in the structure. The Fund Manager must be established according to the applicable laws.</p> <p>The Fund Manager will typically comprise a team of experienced professionals, acting with the diligence of a professional manager and in good faith, operating according to best industry practices, complying with professional standards issued by the Invest Europe, ILPA or other equivalent organisation. Preferred Fund Managers shall have a strong network and partnership with international players.</p> <p>One or more Fund Managers could be selected as a result of the Call for Expression of Interest and subsequent selection process.</p> <p>The Fund Manager company does not need to be established at the time of the application.</p>
Fund Manager's	At least 2% of fund size, to be decided as an alignment tool between investors and the manager, to be assessed

⁵ In no case initial investments can be made after the end of the eligibility period on 31 December 2023.

commitment	against fund operational economics and broader financial position of the manager's team.
Management fee basis	<p>Management fee and remuneration structure, to be proposed by and negotiated with selected Fund Manager(s), shall, to the extent applicable, be based on the principles set out in Articles 12-14 of the Delegated Act⁶ (DA).</p> <p>The management fee is typically paid on the committed capital during the investment period and on the invested capital (acquisition cost of the active portfolio of the fund reduced by the acquisition cost of the fund's investments that have been sold, written-off or written-down) thereafter. Alternatively fixed-fee for the post investment period could be considered.</p> <p>It may later be confirmed that non-pari-passu conditions between investors are possible. In such case, the management fee shall comply with the DA Article 13(2).</p> <p>The management fee to be paid out to the Fund Manager after the end of the eligibility period will be paid through an interest-bearing escrow account specifically dedicated for that purpose. The period through which the management fee is paid after 31 December 2023 cannot exceed six years.</p> <p>For avoidance of doubt, selection of funds through this Call for Expression of Interest constitutes a selection through a competitive tender for the purposes of DA Article 13(6). As a result, the management fee caps referred to in DA Article 13(2) do not apply if the outcome of the Call for Expression of Interest proves the need for higher management fees and costs. Alternatively, if deemed more suitable vis-a-vis market terms and the type of product to be implemented, applicants could propose different thresholds, in line with DA Article 13(6).</p>
Management fee and cost cap	<p>The management fee and costs cap shall be deemed to include any fees, expenses and costs necessary to set up, manage and wind-up the fund including all transaction costs.</p> <p>Management costs and fees to be paid after 31 December 2023 shall not exceed 1.5 % per annum of the invested capital, calculated pro rata temporis from 31 December 2023 until repayment of the investment, the end of the recovery procedure in the case of defaults or 31 December 2029, whichever is earlier.</p> <p>The aggregate management fee and costs paid to the Fund Manager throughout the fund duration must not exceed 20% of capital commitments.</p>
Distribution cascade	It may later be confirmed that the Venture Capital Fund under the GBER may benefit from state aid in the form of non-pari-passu incentives for Private Investors by capping the net return on the CZFoF's commitment to the fund, in favour of Private Investors. In such cases, the incentives would be provided by the CZFoF only, whilst the EIF co-

⁶ Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing the Common Provisions Regulation

	<p>investment would not (i) be subordinate to any Private Investors; (ii) contribute to providing any preferential treatment to Private Investors or (iii) receive any extra return from the CZFoF investment. The return on EIF's co-investment would remain neutral to this arrangement.</p> <p>In any case, proposals by Fund Managers should not indicate a hurdle rate below 5% per annum.</p>
<p>Compliance</p>	<p>The Applicant shall refer to EIF Policies, in particular:</p> <ul style="list-style-type: none"> - Anti Fraud Policy⁷; - Policy on Offshore Financial Centres & Governance Transparency⁸; <p>all as published on the EIF website.</p> <p>Clear procedures for KYC/AML and integrity checks on the sourced Private Investors and management of conflicts of interest shall be implemented by the Fund Manager in line with requirements of national legislation.</p>
<p>Prohibited types of sectors and activities</p>	<p>Investments can be made in projects in all sectors of the economy listed in the Support Programme – VENTURE CAPITAL Annex 1A (see ANNEX 3 to this Call for Expression of Interest), except:</p> <p>For GBER-compliant funds, exclusions described in Article 1 of the GBER.</p> <p>The Eligible Investees shall not have a substantial focus on one or more Restricted Sectors as set out in the “Guidelines on the EIF Restricted Sectors” available for download on www.eif.org⁹.</p> <p>Furthermore, investments in the following types of investees and activities cannot be supported:</p> <ul style="list-style-type: none"> • the decommissioning or the construction of nuclear power stations; • investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC; • the manufacturing, processing and marketing of tobacco and tobacco products; • undertakings in difficulty, as defined under EU State aid rules; • investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact. <p>Additional ineligible activities are listed in the Support Programme – VENTURE CAPITAL Sections 3.3, 5.1(e) and Annex 1B.</p>

⁷ http://www.eif.org/attachments/publications/about/Anti_Fraud_Policy.pdf

⁸ http://www.eif.org/attachments/publications/about/2009_OFC_and_Governance_Transparency_Policy.pdf

⁹ http://www.eif.org/attachments/publications/about/2010_Guidelines_on_restricted_sectors.pdf

<p>Place of business of Eligible Investees</p>	<p>The fund shall only invest into enterprises that are registered for carrying out business in, established in, and have their main place of business in the Czech Republic.</p> <p>The fund will primarily target investments outside of the Prague region (according to the main place of business), while up to [20]%¹⁰ of committed capital will be permitted to be invested in enterprises within the region of Prague.</p> <p>The main place of business shall be determined according to the following criteria:</p> <p>(i) at least 50% of the revenue of the SME is accounted in the given region; or</p> <p>(ii) at least 50% of the SME's assets (tangible or intangible) are permanently based or are otherwise registered in the given region; or</p> <p>(iii) a substantial majority of SME's business value creating professional staff (including, without limitation, engineers, technical staff, academics and senior operations executives involved in the business strategy and/or product development) is located in the given region or has substantial product development operations in the given region.</p> <p>It should be noted that SMEs defined under Commission Recommendation 2003/361/EC, notwithstanding the place of registration of such SMEs, which are the controlling owner of an Eligible SME that meets the above requirements and which also meet these requirements on consolidated group level are considered eligible.</p>
<p>Publicity</p>	<p>The Fund Manager will have to carry out adequate publicity activities and ensure visibility of European Structural and Investment Funds (ESIF) financing in line with ESIF requirements, to be specified in the Operational Agreement.</p>
<p>Reporting</p>	<p>The Fund Manager will provide EIF with periodical information in a standardised form and scope as per Invest Europe guidelines for reporting, in compliance with ESIF regulations, national requirements and the GBER, if applicable, as to be specified in the Operational Agreement.</p> <p>It is important to note that ESIF and state aid reporting rules will require Fund Managers to provide new data points (such as a split between base and performance management fees and the split between private and public nature of investors) which typically are not being tracked and a higher granularity of data (such as but not limited to Level 2 NACE and NUTS codes and country fiscal numbers). Furthermore, the Fund Manager should report any additional data that may derive from future changes to the ESIF regulations, national requirements or the GBER, if applicable.</p>
<p>Monitoring and Audit</p>	<p>The Fund Manager and the investee companies shall agree to keep records as required under ESIF regulations and</p>

¹⁰ This limit shall be increased in case additional funding for the Prague region materializes.

	<p>to allow and to provide access to documents related to the Financial Instrument for the representatives of the European Commission (including the European Anti-Fraud Office (OLAF)), the Court of Auditors of the European Communities, EIF, Managing Authority and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Fund Manager shall include appropriate provisions in each investment agreement.</p>
Fund's due diligence before investments	<p>The Fund Manager will make investment decisions based on each investment's business plan, which should contain product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy.</p>
Additional features of the Financial Intermediary	<p>The Fund Manager will manage the fund based on commercial principles.</p> <p>Investors' representatives shall be appointed in appropriate advisory committee structures to review inter alia fund corporate governance.</p> <p>In the management of the fund, the Fund Manager shall apply best practices, inter alia considering guidelines developed by Invest Europe and ILPA, and shall perform controls as required by the public nature of the CZFoF investment.</p>
Additional requirements	<p>When selecting a Financial Intermediary, the selection panel shall satisfy itself that this intermediary fulfils the requirements set out in DA Article 7.</p> <p>The Fund Manager shall ensure compliance with applicable law, including rules covering the ESIF and relevant national law and regulations, state aid, money laundering, the fight against terrorism and tax fraud. The Fund Manager shall, in line with its internal rules and procedures and particularly in the cases where fraudulent behaviour is suspected, be required to perform monitoring checks at the level of the investee companies, as to be specified in the Operational Agreement.</p> <p>The fund shall not be established and shall not maintain business relations with entities incorporated in territories, whose jurisdictions do not cooperate with European Union in relation to the application of the internationally agreed tax standards and shall transpose such requirements in its contracts with final beneficiaries.</p> <p>The fund shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject. Funds (and sub-intermediaries) shall not be incorporated in territories whose jurisdictions do not co-operate with the EU in relation to the application of internationally agreed tax standards, and shall require from investees to declare their ownership structure to ensure that the owner(s) are not based in such jurisdictions. Each applying Financial Intermediary may inquire about the</p>

status of a particular jurisdiction with EIF.

The fund will be required to return amounts invested which become affected by irregularities. For irregularities affecting amounts invested by the fund into target SMEs, the fund will be required to apply all applicable contractual and legal measures with due diligence for the purpose of recovering the relevant amounts in compliance with DA Article 6.