



Financial Instrument	Business Angels Co-Investment Fund
Envisaged state-aid regime	Envisaged to be State-aid free.
Investment focus	Fund investment strategy shall be restricted to co-investments with business angels and other non-institutional investors. However, it shall not exclude investments where institutional investors participate as syndicating investors at the level of investee companies, especially in follow-on rounds. It shall be flexible in terms of sector and stage focus of investments, from seed to expansion stage.
Investment range	Investments are anticipated primarily to be in the up to EUR 1m range, with the aim to build a diversified portfolio. Typically up to 10% of the total fund size in any single investee (possible fund Advisory Board approval in case that limit needs to be exceeded).
Eligible investees	<p>Small and medium-sized enterprises" or "SMEs" means a micro (including individual entrepreneurs and self-employed persons), small or medium-sized enterprise as defined in the Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, as amended from time to time.</p> <p>The investment shall support the following:</p> <ul style="list-style-type: none"> a) Establishment of new enterprises; b) Early stage-capital (seed capital and start-up capital); c) Expansion capital; d) Capital for the strengthening of the general activities of an enterprise; e) Realisation of new projects; f) Penetration of new markets or new developments by existing enterprises. <p>The investment may cover: (1) investment in tangible assets or intangible assets, (2) working capital within</p>

	<p>the limits of applicable state aid rules and with a view to stimulating the private sector as a supplier of funding to enterprises, and (3) include the costs of transfer of proprietary rights in enterprises provided that such transfers take place between independent investors.</p> <p>The investment shall be newly originated (not a refinancing). The investments shall be expected to be financially viable.</p>
Replacement capital	The fund can provide replacement capital only if the latter is combined with new capital representing at least 50 % of each investment round into the company.
Private investor contribution	<p>No private investors are envisaged on a Co-Investment Fund level besides the fund manager's commitment. Private investors will be sourced on a case-by-case basis at the level of each underlying investment.</p> <p>Maximum 50% investment by the Co-Investment Fund and minimum 50% by the Co-investors on pari passu basis at the level of each investment. Investment on the same terms and conditions. Co-investors shall not exit earlier than Co-Investment Fund, but the Co-Investment Fund can potentially exit earlier, if commercially reasonable.</p>
Investment Period	In line with market practice typically no longer than 5 years ¹
Follow-on investments	<p>Provided that the following conditions are met:</p> <p>(1) the closing of the fund has taken place 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,</p> <p>up to 20% of the commitments can be allocated for follow-ons after 31 December 2023. The period</p>

¹ In no case initial investments can be made after the end of 31 December 2023



	through which follow-on investments can be made cannot exceed four years after 31 December 2023. ²
Type of financing	Equity and / or quasi-equity.
Fund duration	Typically 10 + 1 + 1 years (with extensions being subject to an investor or Advisory Board approval).
Fund Manager’s commitment	Fund manager shall contribute at least 5% of the total capital as a limited partner of the fund. Required commitment size will be assessed against and aligned with the objectives of the instrument and economic wealth of the team.
Management fee	<p>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>The period through which the management fee is paid after 31 December 2023 cannot exceed six years.</p> <p>Selection of funds through this Call for Expression of Interest constitutes a selection through a competitive tender for the purposes of Article 13(6) of EC Regulation 480/2014. As a result, the management fee caps referred to in Article 13(2) and (3) of said regulation do not apply if the outcome of the Call for Expression of Interest proves the need for higher management fees and costs.</p>
Management fee and costs cap	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.
Distribution Cascade	<p><u>Pari-Passu Distribution:</u></p> <ol style="list-style-type: none"> 1. 100% principal repayment attributable to investors (FoF and Co-Investment Fund Manager) pro-

² Article 42(3) of EC Regulation 1303/2013



	<p>rata to their underlying interest,</p> <ol style="list-style-type: none"> 2. 100% to investors until they have received sums equal to a [6%] hurdle rate, 3. Full catch-up for the Co-Investment Fund Manager, 4. 80/20 split between investors and the Co-Investment Fund Manager
<p>Compliance</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 investees and activities</p>	<p>Investments in following types of investees and activities shall not be supported:</p> <ol style="list-style-type: none"> (a) the decommissioning or the construction of nuclear power stations; (b) investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC; (c) the manufacturing, processing and marketing of tobacco and tobacco products; (d) undertakings in difficulty, as defined under Union State aid rules; (e) investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact; (f) Investments that are to be supported shall not be physically completed or fully implemented at the date of the investment agreement signature; (g) The investment shall not finance pure financial activities or real estate development when undertaken as a financial investment activity and shall not finance the provision of consumer finance; (h) The share of an investment that is dedicated to the purchase of land cannot exceed 10% of the principal amount; (i) The investment shall not be used to pre-finance a grant; (i) The investment shall not be affected by an irregularity or a fraud; (k) Refinancing and/or restructuring of existing loans and leases are not eligible; (l) The investment shall not refinance or restructure an existing loan;

	<p>(m) The investment shall not finance ineligible expenditure;</p> <p>(n) The investment shall not finance expenditure items that receive support from another ESIF or EU instrument, or support from the same ESIF instrument under another operational programme.</p> <p>The eligible investees shall not have a substantial focus on one or more Restricted Sectors (as determined by the Financial Intermediary in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant Final Recipient), such Restricted Sectors are as set out in the "Guidelines on the EIF Restricted Sectors" published on the EIF website.</p>
Place of business of SMEs	<p>Fund shall only invest into enterprises that have an establishment or branch in Estonia.</p> <p>The resulting investments by the invested enterprises should be primarily located in Estonia.</p>
Publicity	<p>Fund manager will have to carry out adequate publicity activities and ensure visibility of ESIF financing in line with ESIF requirements, to be specified in the Operational Agreement</p>
Private Investors	<p>Private Investors shall be deemed to be any investors which (i) are economically and structurally independent from the fund manager, and from any entities and/or individuals connected thereto, (ii) are economically and structurally independent from the eligible beneficiaries where an Investment is made, and from any entities and/or individuals connected thereto, and (iii) 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). Upon the creation of a new company, private investors, including the founders, are considered to be independent from that company.</p>
Reporting	<p>The fund manager shall provide EIF with periodical information in a standardised form and scope as per Invest Europe (formerly known as EVCA) guidelines for reporting, in compliance with ESIF regulations, to be specified in the Operational Agreement.</p>

	<p>It is important to note that ESIF 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.</p>
Monitoring and Audit	<p>The fund manager and the investee companies shall agree to keep records as required under ESIF rules and 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>EIF 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 FoF investment.</p>
Fund Manager	<p>Financial Intermediary selected by EIF to manage the Financial Instrument. The fund manager must be independent 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</p>

	<p>structure.</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.</p>
<p>Additional requirements</p>	<p>CEOs shall allow EIF to evaluate the Financial Intermediaries with respect to the criteria applicable to Financial Intermediaries referred to in Art. 7 of Delegated Regulation 480/2014³, and in accordance with the criteria laid down by Articles 140(1), (2) and (4) of Regulation 966/2012 of 25 October 2012 (EU, EURTOM) of the European Parliament and of the Council of 25 October 2012.</p> <p>The fund manager shall ensure compliance with applicable law, including rules covering the ESIF and relevant national law and regulations, state aid and money laundering, the fight against terrorism and tax fraud. The fund manager, may, 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.</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 does not co-operate with the EU in relation to the application of internationally agreed tax standards. Each applying Financial Intermediary may inquire about the status of a particular jurisdiction with EIF.</p>

³ Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council

The fund manager shall refer to EIF Policies, in particular:

- [Anti-Fraud Policy](#);
- [EIF restricted sectors](#);
- [Policy on Offshore Financial Centres & Governance Transparency](#);

published on the EIF website.

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.