



Clarification Document to the Call for Expression of Interest - EstFund 2016/01 to select Financial Intermediaries that will receive resources from the EstFund and EIF co-investment to implement the following Financial Instruments: Venture Capital Fund, Expansion Capital Fund and Business Angels Co-Investment Fund.

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 latest on 20 August 2016”.

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 from EIF; they also appear in a random order.

Questions related to the Expression of Interest and Business Plan	
Q1	Does the expression of interest need to be submitted by the financial intermediary or the fund manager, i.e. does the fund structure need to be in place by the time of submitting in the expression of interest? Is it expected that the Financial Intermediary, the Financial Instrument and the relevant structure is set up prior to the Applicant being selected as a Final Recipient?
A1	The intended fund structure and all related entities must be described (i.e. legal structure, governing laws and whether regulated or not), but not necessarily established, at the point of submission of the expression of interest.
Q2	If the legal entity must be set prior to the application, can it be one legal entity for all three funds combined or it is necessary to present three different legal entities, one per fund (VC, Expansion, Business Angels)?
A2	See answer to Q1. Additionally, a single Applicant will not be selected to manage several funds. An Applicant is not prevented from applying for each fund separately however, with the intention of having his application selected for one or the other based on what is considered the better proposal.
Q3	When applicant decides to apply for more than one type of Funds, should the applicant write separate proposals, or it is sufficient to write only one proposal clearly stating which Funds he is applying for and separate this one proposal into two or more sections?
A3	Separate proposals must be submitted for each type of fund applied for (Venture Capital Fund, Expansion Capital Fund, Business Angels Co-investment Fund). Such separate proposals can be submitted together within the same overall

	Expression of Interest so as to avoid duplication of information which is applicable to more than one (this must be clearly referenced when doing so).
Q4	What is the general plan – will there be one mandate per each fund type or multiple. It determines the Fund size, opportunities and options.
A4	The base scenario is that one fund manager will be selected per fund type, except Venture Capital where earmarked funding may be sufficient for two fund managers. <i>As set in the CEOI “The indicative capital allocated to the Financial Instrument(s), as well as the amounts available for contribution by the FoF to the selected Financial Intermediary(-ies), may be changed as necessary, at EIF’s sole discretion subject to applicable approvals, particularly if the funding available changes during the FoF implementation process or the demand for the Financial Instrument(s) so requires”</i>
Q5	Annex 2 of the Call for Expression of Interest allows for the fund manager to be set up after the submission of the Expression of Interest to EstFund/EIF – are there any requirements as to the legal form of the Applicant?
A5	See answer to Q1. There are no specific requirements at the moment of submission of the Expression of Interest. The intended structure must be described, but not established. It is up to the fund manager to propose appropriate legal structure.
Q6	The “Expression of Interest” is written in a form addressing existing teams. If the attendant is a new team of experienced investment and venture capital professionals not organized under same legal entity, would it be possible to sign “Expression of Interest” by team members personally, without specifying legal entity reg. number etc.? The plan is to establish new legal entity once necessary stages in the process have been passed.
A6	Yes, in such a case the team members should sign the Expression of Interest personally.
Q7	In case there is no legal entity in place now, who is supposed to sign “Declaration of Honour”?
A7	It should be signed by the team members who are expected to have ownership in the planned fund management company and carry rights in the planned fund.
Q8	Can you explain which particular information is expected to provide under "List joiners and leavers of the team, their date of arrival/departure, position at arrival and current title;"? Who are these joiners and leavers?
A8	For existing teams, it is the information about people that have left or joined those teams since inception. Not applicable for new teams.
Q9	What is the preferred structure of the Business Plan? Should it follow closely the outline detailed in Appendix 2 or are deviations from the structure permissible as long as the key points detailed in Appendix 2 are addressed somewhere in the document?
A9	It should follow the outline detailed in Appendix 2.
Q10	What is the preferred format of the Business Plan? Is it permissible to attach both a pitch deck and a private placement memorandum example, as long as the key

	points detailed in Appendix 2 are addressed in the documents?
A10	See answer to Q9. Attaching pitch deck and a private placement memorandum example as supporting materials is allowed.
Q11	What is the preferred file format of the Business Plan? Word, PDF, Powerpoint?
A11	PDF.
Q12	What level of detail is expected in the description of competitors? Would age, fund size, investment size, strategy and region of operations be sufficient?
A12	The description of competitors is meant to show the Applicant's understanding of the competitive landscape. The outlined points would suffice.
Q13	When detailing a description of the joint experiences of the team members, what level of depth is expected? Is listing each team member's area of expertise sufficient?
A13	The joint experience question is essentially looking for a previous evidence of team members being able to successfully work together. Describe the professional or private situations where two or more team members have worked together (company, time period, positions/roles, joint projects etc).
Q14	In regards to the point "Detail the history of the Applicant and its previous/existing business activities, particularly describing any activity having potential of conflicts of interest with the planned fund". If the Applicant is yet to be registered and has no previous/existing business activities, would the clause requesting information on fund manager team profile and board involvement be a sufficient substitute?
A14	This point is meant to allow the Applicant and the team members to openly disclose any past or current activities that may be reasonably deemed to have potential of conflicts of interest with the planned fund and time dedication. Applicant is expected to list such activities or declare absence of such and provide an explanation of their (i) potential conflict of interest and (ii) future time dedication.
Q15	What level of depth is expected in the description of governance and legal structure for all fund related entities? Would an outline of the envisioned structures and responsibilities be sufficient?
A15	The Applicant is expected to provide a full description of (i) the different entities of the envisioned structure, their legal form and their function as well as (ii) the various boards established in the fund related entities (i.e. composition, competences and voting mechanisms). Typically, this should include the board of directors, the investment committee, the advisory board, any industry committee, etc.
Q16	Detailed description of target market segment. Does the description cover the target market of the instrument (position in the market) or the target market segments of the investees?
A16	Target market of the Financial Instrument.
Q17	Is an applicant permitted or expected to submit any documents to demonstrate its compliance with the eligibility criteria in addition to the following documents: - Expression of Interest, - Applicant Identification (Appendix 1 to the Expression of Interest),

	<ul style="list-style-type: none"> - Business Plan (based on elements listed in Appendix 2 to the Expression of Interest); - Applicant Documents (listed in Appendix 3), i.e. (1) copy of Applicant's registration Certificate, if applicable, (2) copy of identity card, passport or any other document which can be used for identification purposes, for the Applicant's Representative; (3) appropriate evidence of the representative's authorisation to act for and on behalf of the Applicant (signatory powers). - Declaration of Honour (based on template in Appendix 4 to the Expression of Interest)?
A17	Applicant is not required but can submit supporting documents if deems useful.
Q18	We note that the business plan must include the description of governance and legal structure for all fund related entities foreseen. Could the business plan set out several alternative governance and legal structure for fund related entities (e.g. a legal structure that can be established pursuant to the existing laws and alternatively a legal structure that can be established if certain draft laws, which are currently being prepared, are passed and take effect)?
A18	Business Plan can set out several alternative structures together with an explanation for having various alternatives.
Q19	Certain information which is part of the requested information is strictly confidential (e.g. parts of track record related to ongoing arrangements), and may require end-to-end NDAs. Does the EIF have a procedure/recommendation on how to mark this information and on how ensure the strict confidentiality of these parts?
A19	<p>EIF adheres to strict professional standards. Applicants undertake to designate information contained in any submitted document or file as Confidential Information only if, and to the extent that, they believe in good faith that such information is in fact confidential.</p> <p>To the extent that the received information is marked as "Confidential Information", EIF will not disclose any of that information, other than to its mandators, shareholders, governing bodies, partners, directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors), or unless required by a treaty, law, Court order or by any rules or regulations which may be applicable to EIF.</p> <p>Should EIF disclose any of that information to the above-mentioned parties, EIF will make these parties aware of the confidential nature of such information. However, EIF is not in the position to assume responsibility for any action of any of those parties which could result to Confidential Information to become public or otherwise being abused.</p>
Q20	What are the rules for determining the persons having power of representation, decision-making or control over the Financial Intermediary as set out in the Declaration of Honour? Does the term "person" include both legal and natural persons for the purposes of the Declaration of Honour?
A20	The determination of the persons having power of representation, decision-making or control over the Financial Intermediary depends on the governance and legal structure (including without being limited to the composition, competencies and voting mechanisms in the different entities and their bodies) of

	<p>the Financial Intermediary. The term “person” includes both legal and natural persons.</p>
Q21	Does the Financial Intermediary have to be formed and registered at the time of the application submission? If not, what extra evidence is required of the Applicant’s Representative that such Financial Intermediary will be established and that the Representative has legal representative powers?
A21	See answer to Q1 regarding incorporation. No further documents except those listed in the CEOI are required.
Questions related to the Eligibility Criteria	
Q22	If incorporation is necessary and new legal entity must be established prior to application, how clauses 1.9 and 1.11 will be assessed in case of totally new entity?
A22	See answer to Q1 regarding incorporation. Eligibility Criteria 1.9 and 1.11 come from EU rules and are not crafted specifically for risk capital, but are generic for any EU supported financial instruments, including banks. EIF will apply them to the team, the proposed structure and the Expression of Interest as a whole.
Q23	“Applicant has adequate economic and financial viability” – what is meant by adequate economic and financial viability? Is this question tackling the economic and financial viability of the fund or the owner of the entity of the Fund?
A23	See answer to Q22. In substance it means whether the proposed fund management team has adequate economic and financial viability to perform the required role if selected under the CEOI.
Q24	Point 1.9 of the Eligibility Criteria demands an adequate economic and financial viability on part of the Applicant. Could you disclose more details about the specific criteria upon which these aspects are evaluated?
A24	See answers to Q22 and Q23.
Q25	In the “Eligibility criteria” clauses 1.9 and 1.11 refer to assessment of different applicant capabilities. How will those be assessed by EIF if the applicant is a team of individual unincorporated professionals, provided that assessment is binary: Yes/No?
A25	See answers to Q22 and Q23.
Q26	Point 1.12 of the Eligibility Criteria described in Annex 2 states that Applicant should adequately demonstrate that it will establish an accounting system providing accurate, complete and reliable information in a timely manner. What level of depth is required of the accounting procedure to satisfy this criteria?
A26	<p>Eligibility Criteria 1.12 come from EU rules and are not crafted specifically for risk capital, but are generic for any EU supported financial instruments, including banks. EIF will apply them to the team and the Expression of Interest as a whole and as reasonably applicable.</p> <p>An outline would be sufficient at this stage.</p>
Questions related to the Fund term-sheets and terms	
Q27	Are there any restrictions regarding the jurisdiction where the financial intermediary or the fund manager is established (other than the exclusion of non-cooperative jurisdictions)?

A27	No further restrictions than set in CEOI.
Q28	Are there any requirements regarding the linkage between Estonia and the financial intermediary or the fund manager (e.g. is an official office or branch needed in Estonia)?
A28	There is no requirement to domicile either the fund or fund manager in Estonia. However it is hard to envision successfully managing an Estonia focused fund without local presence.
Q29	Any preference for Fund and Fund manager jurisdictions?
A29	Up to the fund manager to choose and propose investors most appropriate jurisdiction within constraints outlined in the CEOI.
Q30	Are there any requirements regarding the form of fund manager's commitment and private investors' contribution, i.e. does it need to be structured as investment into fund's particular investments?
A30	It is up to the fund manager to propose an appropriate structure with all investors, including fund manager, signing upfront commitments to the Financial Intermediary (no direct investments in beneficiaries).
Q31	Indicative investment requested under this call - What is meant by this?
A31	Amount requested as investment into the proposed fund from resources available to EIF under the CEOI (the sum of EstFund resources and EIF co-investment). For example, for Expansion Capital Fund up to EUR 15m can be requested.
Q32	Does the Expansion Capital Fund have to qualify as a UCITS (in the meaning of the Council Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities) or can it be any type of investment fund that is recognised under the applicable jurisdiction?
A32	It can be any type of investment fund that is recognised under the applicable jurisdiction, within constraints mentioned in the CEOI.
Q33	Does EIF have some policies/restrictions with respect to clawback terms?
A33	EIF will apply market-standard terms.
Q34	Are the fund managers/board members allowed by Estfund to own the management company of the fund through a company, i.e. not personally?
A34	Yes, provided it is duly justified.
Q35	Does EIF have any restrictions or limits on the winding up provisions of the Financial Instrument, including the return of resources from the fund to the FoF/EIF?
A35	EIF will apply market-standard terms.
Q36	Do we understand correctly that non-pari-passu distribution cascade is applied on a fund level? Or is it applied on a deal by deal basis?
A36	Distribution cascade is applied on a fund level.
Q37	If the answer to previous question is affirmative, does this mean that the Fund is not allowed to make any investments into investees that fail the conditions listed under non-pari-passu distribution cascade, or is the Fund simply not allowed to finance such investees with state aid funds, but may do so with funds raised from

	private investors?
A37	Fund is not allowed to make any investments into investees that fail the criteria listed in connection with non-pari-passu distribution cascade.
Q38	<p>If the Distribution is to be applied on a fund level, then in regards to the following statement: "In case of equal proposals, pari-passu is always preferred as long as it doesn't hamper successful private fundraising"</p> <p>a) Do we understand correctly that the term equal proposals refers to eligible proposals made by separate Applicants with equal numeric scores as per Qualification Criteria?</p> <p>b) What evidence or lack thereof do you specifically have in mind when deciding if pari-passu hampers successful private fundraising or not?</p>
A38	<p>a) Correct</p> <p>b) Risk capital fund fundraising in Baltics historically has been difficult and often failed altogether. Non-pari-passu option was introduced in the CEOI to improve chances of successful fundraising by improving the offer to private investors. EIF will not object to team going pari-passu route if it will judge team has a reasonable chance of success with fundraising, based on existing commitments or previous track record.</p>
Q39	<p>In regards to Additional not supported activities in case of non-pari passu Distribution cascade, specifically the clause "aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity;" Do we understand correctly that, especially in the case of application of the non-pari-passu distribution cascade on a Fund level, that the purpose of the clause is to prohibit the Fund from investing into activities that give the target firm an unfair competitive advantage, ie subsidizing current export levels to the detriment of third countries and Member States?</p>
A39	Correct.
Q40	<p>Our understanding is that venture capital funds invest in companies that are in the start-up and later-stage venture stages (EVCA definitions). In the Venture Capital Fund Term-sheet you have specified that "Fund may start investing early in the seed stage of the company development..." Does this mean that fund manager can, but does not have to, invest in companies that are in the very first stage (EVCA definition)?</p>
A40	As stated in Venture Capital Fund term-sheet, fund manager can "also participate directly in A-rounds".