

**Clarification to the Call for Expression of Interest No.SVI-2016/01 to select Financial Intermediaries that will receive resources from the Swedish Venture Initiative and EIF co-investment to implement the following Financial Instrument: Early Stage Venture Capital Fund.**

**Reference number: Call for EoI – SVI-2016/01**

The aforementioned Call 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](http://www.eif.org), at latest on 5 September 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 above mentioned Call for Expression of Interest, 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.

<b>Questions related to the Expression of Interest and Business Plan</b>	
Question 1	Please clarify in Appendix 2 Business Plan - What does "expected leverage effect at investee company level (syndication strategy)" mean?
Answer 1	A Fund investment into the investee company can be accompanied by other funding targeting the same investment project within the investee company e.g.co-investment by other equity investors (syndication), bank debt funding, investee own resources earmarked to such investment project, etc.  For EU regulation reasons EIF requires a Fund manager’s forecast of frequency and size of such other funding (“expected leverage effect”) within expected portfolio based on planned investment strategy.
Question 2	Will SVI be able to invest in Funds with geographical limitations, e.g. a Fund focusing on the southern part of Sweden only?
Answer 2	Yes, Funds with imposed geographical limitations within Sweden are eligible to apply to SVI. As stated in the term-sheet section “Place of business of SMEs” investments by the Fund shall only be made into enterprises registered in or with a branch in Sweden and be used for the purposes of investments in Sweden, except up to 15% of the Fund’s size can be invested outside Sweden but within European Union <sup>1</sup> .

<sup>1</sup> Respecting Article 70 of EC Regulation 1303/2013

	<b>Commercial feasibility of any imposed limitations will be assessed on case-by-case basis.</b>
Question 3	Are you at all considering new teams without or with limited VC investment track-record but relevant start-up and angel investing experiences?
Answer 3	<b>Yes, SVI will consider new and emerging teams with no or limited experience in venture capital, but with other relevant experience, including investment track-record gained by start-up and angel investing experience. For further details see Annex II, Part II, in the Call for EoI SVI 2016/01.</b>
Question 4	As the management team is in the process of evaluating possible Investment managers joining the team as the Fund is set up, final details might not be available at the deadline of the call. Will detailed description of the plans be sufficient? Are amendments to the team allowed later on?
Answer 4	<b>A detailed description about the team and its members is required when applying to SVI. The core members of fund management team are expected to be identified at the time of application and will be assessed as part of the Applicant's proposal. Changes of core team members after submission of application are possible if duly justified, subject to adequate replacement and with market-standard level of investor control and oversight.</b>
Question 5	Will there be a possibility for asymmetric terms where the funding from SVI demands slightly less returns on the upside compared to other private LP investors who will benefit from such asymmetry in especially risky types of investment (e.g. early stage drug development cases) and if so are there any guidelines to help us understand in what circumstances this might be possible?
Answer 5	<b>The SVI is based on equal terms for all investors. Thus there will be no preferential conditions for private investors.</b>
Question 6	Regarding which entity should be designated as the Applicant. At this time the Fund Management company is yet to be incorporated. Is it correct to file an application by the company that will assume the position of the General Partner, which will also be the sole owner of the Fund Management company once this entity has been established?
Answer 6	<b>The proposed route is acceptable. Alternatively, if no legal entity exists at the time of application the application itself must 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. However, for example draft articles of association or other relevant documents could be provided.</b>
Question 7	Please clarify what is entailed in the notion "Independent/Independence" as is it used in: "Describe any linkages restricting full independence of the management team and fund manager" and "The fund manager must be independent".

Answer 7	For information on the required level of independence, please see section "Fund Manager" of the term sheet. In this respect, it is of particular importance that the fund manager be able take 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.
Question 8	Will re-investments of the proceeds from the Fund following successful divestments be allowed and if so, will re-investments be regulated in any way?
Answer 8	SVI will not invest in ever-green funds. SVI may permit fund manager to re-use and re-invest proceeds, but with aggregate investments in Eligible Investees not exceeding 100% of such Fund size. It is to be regulated in the Operational Agreement with each selected Fund Manager.
Question 9	May alternative Fund vehicles be established within the Financial Instrument in order to accommodate specific investment terms from certain investors?
Answer 9	<p>Parallel structures may be considered provided that their use is justified (e.g. in order to accommodate mandatory tax, regulatory or other statutory requirements applicable to investors in such structures).</p> <p>Any parallel structures should in principle be managed by the same general partner and should invest in and divest of investments on the same terms and conditions. Governance in relation to the Fund and any parallel structure shall be executed jointly and pro rata to the commitments of the investors in the Fund and the parallel structure(s).</p>
Question 10	Will there be any restrictions in place regarding the Financial Instrument's allowance to borrow money?
Answer 10	The financial instrument/Fund is in principle not allowed to borrow money.
Question 11	Will capital invested by a Swedish University Foundation be regarded as State money or Private money for the calculation of minimum threshold of private financing at the fund level?
Answer 11	<p>It needs to be assessed on a case by case basis following the overall aim of the foundation and also the articles of incorporation of the foundation.</p> <p>The "private financing at fund level" includes funding committed by a) fund manager and affiliated parties, and b) private investors. According to the Call for Expression of Interest 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</p>

	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. The points (ii) and (iii) apply also to investors affiliated with fund manager.
Question 12	Can a Fund Manager establish an Alternative Investment Fund (AIF) with some frequency for subscription/redemptions (e.g. annual/semi-annual/quarterly/monthly)? Liquidity would be arranged through another related legal entity also investing into the public Fund.
Answer 12	It needs to be assessed on a case by case basis. Although not prohibited as proposal typically the vast majority of investment funds would be expected to be closed-ended funds without redemption.
Question 13	How should we submit the application?
Answer 13	<p>Please refer to section 6 in the Call for Expression of Interest document.</p> <p>Please note that The Expressions of Interest shall be submitted on or before the Deadline <u>both</u> by (i) e-mail and (ii) registered mail or professional courier service. The Deadline applies (i) in case of e-mails, to the reception by EIF and (ii) in case of registered mail or professional courier service, to the date of dispatch proven by the post office stamp or a dispatch receipt.</p> <p>The Deadline for the submission of Expressions of Interest is 14 September 2016.</p>
<b>Questions related to the Selection Criteria</b>	
Question 14	Is there a required level for own investment in the Fund for Fund Managers and/or Management Company?
Answer 14	It is required that the team (via Fund Manager/Management Company or directly) invests into the Fund, but there is no fixed minimum (or maximum) level. The team's investment is meant to serve as an alignment tool between investors and the manager, the necessary size of it to be assessed against fund operational economics and broader financial position of the individuals in the team.
Question 15	In the Quality Assessment Criteria it is stated that candidates will be evaluated on "Applicant's commitment for own investment in the Fund as requested in the Description of the Financial Instrument". However, it remains unclear to us what level of commitment is required from the applicant. Is there a lower or higher limit in regards to the level of commitment from the applicant?
Answer 15	See answer to Question 14.
Question 16	What legal structures are compliant or not compliant with the selection requirements?
Answer 16	For information on non-compliant legal structures/jurisdictions see primarily section "Additional requirements" of the term sheet. The intended Fund structure and all related entities, ownerships and cash-flows must be

	<p>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. It is up to the Fund Manager to propose appropriate legal structure.</p> <p>Please see also answer to Question 24.</p>
Question 17	Please specify what types of financing provided to investees that are considered.
Answer 17	<b>Investees are expected to be financed through equity and quasi equity instruments. Typical financing provided to investees would include newly issued shares / partnership interests. For prohibited types of financing, please see term-sheet section "Prohibited types of investees and activities".</b>
Question 18	Is the preferred legal entity of the Fund a Swedish AB using participating loans and/or preference shares for the LPs?
Answer 18	<b>See answer to Question 16.</b>
Question 19	What is an acceptable level of management fee over the lifetime of the Fund? 17%? Carry 20/80?
Answer 19	<b>The terms and conditions of the proposed Fund and its legal structure is part of the selection criteria and will be assessed. It is expected that the proposals will be according to market standards with regards to fee levels, carried interest and associated hurdles.</b>
Question 20	What is the current expectation on threshold (IRR threshold to LPs before carry) for a life science Fund in early stages?
Answer 20	<b>See answer to Question 19.</b>
Question 21	Possibility for deal by deal carry with no threshold if carry to team is lower, e.g. 10%?
Answer 21	<b>Carried interest will be calculated on portfolio basis.</b>
Question 22	GP participation – we have limited personal funds being a new team and wonder if there is an acceptance for a more modest participation in the Fund up-front?
Answer 22	<b>See answer to Question 14.</b>
Question 23	Will it be acceptable to complete the set-up of the legal structure and the advisory board in parallel to the evaluation period for SVI?
Answer 23	<b>See answer to Question 16.</b>
Question 24	Is there any difference in eligibility or quality assessment regarding where the Fund will established (for example if the Fund is placed on Guernsey instead of Sweden to be able to attract international investors in the Fund)?

Answer 24	Any justification of a structural element would need to be assessed on a case by case basis in line with the list of non-compliant jurisdictions. In addition each individual team member is expected to confirm that the relevant tax authority has acknowledged the structure and has confirmed the respective tax treatments.
<b>Questions related to the Fund term-sheet and terms</b>	
Question 25	Will only Funds with a 100% focus on Swedish companies be eligible for the Fund or can the Fund also include some investments outside Sweden – if so are there specific limitations/guidelines to take into account?
Answer 25	As stated in the term-sheet “Investments by the Fund shall only be made into enterprises registered in or with a branch in Sweden and be used for the purposes of investments in Sweden, except up to 15% of the fund’s size can be invested outside Sweden but within European Union <sup>2</sup> ”.  Should uncertain situations arise, consultation with EIF is advised.
Question 26	Are there any areas you favour in particular? Is Life Science an area which is part of SVIs scope?
Answer 26	SVI targets Fund Managers with an investment strategy focusing on innovative high-growth early stage SMEs. Life Sciences would typically fall into the scope of the SVI.
Question 27	The Call outlines SME as a limitation. Is there a preference for earlier stage companies?
Answer 27	Please refer to the term-sheet section “Eligible Investees” for information about the Eligible SMEs.
Question 28	What is the meaning of “Place of business of SMEs” in the term-sheet?
Answer 28	See answer to Question 25.
Question 29	A standard lifetime of a VC Fund is 10+1+1 year. In Life Science there are good arguments for longer lifetimes, would a proposal of 12+1+1 years where the investment period is kept to 5 years be acceptable?
Answer 29	The market standard lifetime would be 10+1+1 years. However, longer lifetime may be assessed on a case by case basis.
Question 30	Please confirm that Indicative Term Sheet of the Early Stage Venture Capital Fund is the document at the end of CEOI file with pages 1-7.
Answer 30	Confirmed.
Question 31	It is stated in the Early-stage Venture Fund Term sheet under Private Financing that 50% + 1 SEK of total Fund size on Fund level should

<sup>2</sup> Respecting Article 70 of EC Regulation 1303/2013

	<p>comprise private financing. Further down under Private Investors it is stated that Private investors shall be structurally and economically independent from the Fund Manager. Does this entail that financing provided by the Applicant/Fund Manager is not designated as private financing? To avoid further confusion please clarify which option/s is true?</p> <p>a) At Fund level, Financing must be distributed as 50%: SVI + EIF + "Fund Manager/Applicant" and 50% + 1 SEK: Private investors excluding Fund Manager/Applicant</p> <p>b) At Fund level, Financing must be distributed as 50%: SVI + EIF and 50% + 1 SEK: Private investors + Fund Manager/Applicant</p> <p>c) At Fund level financing can be distributed as, excluding Fund Manager/Applicant financing. 50% public financing (SVI+EIF) and 50%+ 1 SEK private investors independent from Fund Manager/Applicant. In addition to this financing, the Fund Manager/Applicant is required to commit to a certain percentage of total commitment on top of the commitments made by Private investors and SVI+EIF.</p>
Answer 31	<b>The portion invested into the Fund by the Fund Manager is defined as private financing. Thus, the correct option is B. See also answer to Question 11.</b>
Question 32	May private investors that have previously invested in companies owned by the Applicant/Fund Manager invest in the Financial Instrument and, if so, will their commitments contribute to the private investor quota?
Answer 32	<b>Yes, private investors that have previously invested in companies owned by the Applicant/Fund Manager may also invest in the new Fund. Their commitments will count toward the private financing threshold. However, 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 structure.</b>
Question 33	Are there any restrictions regarding the timing of the First Closing?
Answer 33	<b>First closing must take place before end of 2017. The fund term will be referenced to the first closing date so final closing may be after 2017.</b>
Question 34	The Fund Duration is designated as 10+1+1 years. Please clarify from which time point this duration is calculated (First Closing/Final Closing/First Investment).
Answer 34	<b>First closing.</b>
Question 35	Please clarify what committee or board may grant the right to the first and second extension of the Fund duration, respectively.
Answer 35	<b>The Fund's duration will depend on the requirements set out in the Fund's documentation, but would typically be decided by way of investor consent.</b>

Question 36	Please describe what is entailed by the “controls” that the Financial Instrument is required to perform due to the public nature of the FoF investment.
Answer 36	As the SVI has been partly funded by EU Structural and Investment Funds (ESIF), the term sheet lists certain not fully market standard requirements, for example on Prohibited types of investees and activities. Thus fund manager will have to do more checks and controls than in pure market situation. These requirements will be specified in the Operational Agreement entered into with each selected Fund Manager.
Question 37	May investments into portfolio companies be used to finance add-on acquisitions made by the portfolio company?
Answer 37	Yes, this would typically be defined as an eligible investment. For prohibited types of financing, please see term sheet section “Prohibited types of investees and activities”.
Question 38	Are Fund Managers allowed to acquire existing shares in portfolio companies (replacement capital) from current owners?
Answer 38	The Fund will primarily invest in new shares issued by companies. Possibility of providing replacement capital is being clarified. If outcome is positive, any replacement capital will have to be combined with new capital representing at least 50% of each investment round into the company and provided that such transfer take place between independent investors.
<b>Questions related to Saminvest AB<sup>3</sup></b>	
Question 39	What is the role of the newly formed government company Saminvest in the context of the SVI? Why are the 2 activities not coordinated?
Answer 39	<p>Saminvest is a new state-owned Fund-of Funds that will only become operational at some point in 2017. Saminvest will co-invest with private capital in venture capital funds active in Sweden. Saminvest is incorporated as a Swedish limited liability company, Aktiebolag (AB). The board of directors in Saminvest will ultimately decide on all investments made by Saminvest. Saminvest will also act as the holding company in a new investment structure consisting of Inlandsinnovation and Fouriertransform.</p> <p>The Swedish Venture Initiative (SVI) is a public-financed Fund-of-Funds initiative that was launched by the European Investment Fund (EIF) in April 2016 in close co-operation with the Swedish Agency for Economic and Regional Growth (Tillväxtverket) using EU Structural and Investment Funds to support access to equity capital for Swedish early-stage high-growth enterprises. This initiative was made possible with support by European Fund for Strategic Investments.</p>

<sup>3</sup> These preliminary answers are provided in response of Applicants’ specific questions and they are based on the discussions between the EIF and the Swedish Managing Authority (Tillväxtverket) and on EIF’s understanding of the regulatory provisions stated in prop 2015/16:110.



	The two activities are similar and will be complementing each other in order to further develop the Swedish Venture Capital market.
Question 40	Will Saminvest have focus on later stage funds (mid-market) rather than early stage funds which is the target for SVI?
Answer 40	<p>The main objective of Saminvest will be to co-finance early stage venture capital funds (prop 2015/16:110, page 8) which invest in innovative Swedish enterprises with high-growth potential. Another objective is to contribute to the strengthening of the overall financial ecosystem in Sweden.</p> <p>The main objective of SVI is to co-finance new and early stage venture capital funds.</p> <p>Even though the two initiatives are targeting similar segment in the market, there is a difference in implementation timetable, source of capital and governance.</p>
Question 41	Will Saminvest offer asymmetric conditions for private investors (currently not the case in SVI)? If conditions are not the same, should we wait and see?
Answer 41	Saminvest may or may not accept asymmetric profit sharing for private investors (prop 2015/16:110, page 11) subject to clearance from the relevant competition and state-aid authorities. The details are not yet clear and it is expected that further clarity on this will only be made at some point in 2017.
Question 42	How do you consider the fact that Fund Managers selected as part of the SVI may be the target also for Saminvest?
Answer 42	In principle a selected Fund Manager receiving investment from SVI may become a future investment possibility for Saminvest. However, the disparity in implementation timetables must be understood.
Question 43	If we gain investment from SVI, can Saminvest also invest in our Fund? If yes, are the conditions the same?
Answer 43	A Fund Manager can in principle receive investments both from SVI and Saminvest. The investment conditions by Saminvest are not yet known.
Question 44	Will EIF share its investment decisions and analyses with Saminvest?
Answer 44	<p>EIF will independently make its investment decisions as part of the implementation of SVI and disclose the decisions to potential other investors, including Saminvest, to facilitate fundraising.</p> <p>No discussion with Saminvest on sharing investment analyses has been undertaken.</p>