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Clarifications to the Open Call for Expression of Interest ("CEoI") to select financial intermediaries under EquiFund II

Reference number: Call for EoI - No. GR - 2024/01

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, at latest on 29 July 2024.”*

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. Questions received after the deadline mentioned in the Call for EoI are not included / addressed.

***Disclaimer:** The current answers are given by EIF further to an analysis based on reasonable efforts, taking into account the data examined at this moment. The information provided in these answers is without prejudice to the regulatory framework in place, as well as relevant instructions and guidance expressed by the relevant Member State and European Commission.*

Questions related to the Open Call for EoI for EquiFund II

(No GR - 2024/01)

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| 1. | “The financial intermediary will take all measures for avoidance of double funding”: how does this get interpreted in the case of the non pari-passu structure? i.e. does an SME which has a GBER-compliant fund as its sole or majority shareholder have limitations in their eligibility for EU grants (incl. max amounts)? And what about grants that require matching funding – can the capital provided by a GBER-compliant fund meet the requirements for matching funding? |
| | Please note that double funding is to be avoided both in the pari-passu and the non pari-passu structures. In principle, financial instruments cannot pre-finance grants and grants cannot repay financial instruments. No numerical example can be provided. |
| 2. | “... State Aid reporting rules may require financial intermediaries to provide new data points which typically are not being tracked and a higher granularity of data”: Is there a document we can refer to in order to understand the type and magnitude of this additional reporting? |
| | Additional state aid reporting might indicatively, but not exhaustively, include more regular reporting at the level of the final recipient, including name, VAT number, |



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| | legal form, private and public portion of investment per financing round, NACE code, etc. No template / specific document can be provided at this stage. |
| 3. | The text only mentions SMEs as eligible investees for the Non pari-passu structure funds. Does this mean that a fund that operates under a pari-passu structure is not eligible to invest in Technology Transfer Projects as they are described in p5 of the document? |
| | For a non pari-passu structure, the reference point is art. 21 of the GBER Regulation, hence, as long as a TT project meets the relevant criteria of the specific article it should be eligible. Reference is made to Annex 1 of the relevant Regulation, where an enterprise is defined as follows: <i>‘an enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.’</i> |
| 4. | Should Technology Transfer Project be eligible will all the terms that apply to follow-on investments in SMEs apply for these projects too? |
| | Yes, that is correct. |
| 5. | “Follow-on investments”: is the assumption correct that the fund can participate in more than one follow-on rounds (as long as the cumulative conditions in part 2 are fulfilled)? |
| | Yes, that is correct. |
| 6. | “Follow-on investments” part c, page 13: if at the time of a follow-on investment, there is a group of undertakings (other than the Financial Intermediary or the Independent Private Investor who invested at the time of first investment) that will invest and as a result own >50% of the shares, is the enterprise then considered “linked” and thus the GBER-compliant fund would not be able to do a follow-on investment in this case? |
| | The concept of “linked enterprises” is defined in Article 3(3) of Annex I to the GBER as including inter alia enterprises that have “[...] a majority of shareholders’ or members’ voting rights in another enterprise; [...]”. The application of the definition is subject to a case-by-case assessment depending on the specific circumstances, to be performed by the financial intermediary. No numerical example can be provided. |
| 7. | “Undertakings in difficulty”: <ul style="list-style-type: none"> - Is the understanding correct that SMEs that are less than 3years old or within 7years from first commercial sale are eligible for financing, even if their net assets have fallen below the subscribed share capital? - Also, if for instance an SME is i) active in research & development (meaning never had a commercial sale), and ii) >3 years in existence, and iii) their net assets have fallen below the subscribed share capital, then they qualify as undertaking in difficulty and thus are not eligible for financing? - Finally, if an SME is <3 years old at the time of initial investment by the fund, but at the time of need for a follow-on investment this portfolio company is i) >3 years old (or >7 years from first commercial sale), and ii) their net assets have fallen below the subscribed share capital, is the fund prohibited from making a follow-on investment in this SME (even though all other requirements for follow-on investments in accordance with article 21(4) would be met)? |
| | Undertakings in difficulty are defined in Article 2(18) of the GBER. As per the relevant section on p.13 of the respective Underlying Fund Term Sheets (Annexes III |



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| | and IV), such undertakings shall not be supported. The practical application of the definition is subject to a case-by-case assessment depending on the specific circumstances. No numerical example can be provided. |
| 8. | <p>Independent private investor contribution (p14)</p> <ul style="list-style-type: none"> - Point b mentions a minimum 20% private participation in an investment round for companies that have operated in any market for less than 10 years. Is the understanding correct that the commitment in this new round of private investors that are existing shareholders of the SME cannot count as part of this 20% (because they would not be considered “independent” private investors)? - Let’s assume there is a new round where the GBER-compliant fund co-invests with a VC fund that has both private and public LPs, including EIF, (but is not considered a state aid GBER-compliant fund), what would count as the actual amount of private participation? The actual investment amount of the VC fund in the round or the % of the investment amount of the VC fund that corresponds to their private LPs only? |
| | <ul style="list-style-type: none"> - Please refer to the definition of an ‘independent private investor’ in Article 2(72) of the GBER. Indicatively, and not exhaustively, the following provisions apply: <ul style="list-style-type: none"> o An ‘independent’ investor is not a shareholder of the eligible undertaking in which it invests. o In the context of follow-on investments, an investor remains ‘independent’ if it was considered as an independent investor in a previous investment round. o Upon the creation of a new company, any private investors, including the founders, of such new company, are considered to be independent from that company - As per Article 21(12) of the GBER, the participation of independent private investors needs to be ensured in line with the relevant minimum thresholds. The practical application of this rule would be subject to a case-by-case assessment to be performed by the financial intermediary, in light of the specific legal and economic circumstances. No numerical example can be provided. |
| 9. | <p>What is the average response time; is it still up to 6 months as it used to be? Having engaged with EIF in the past, I recall there is a two stage process where funds receive a first clearance, entering a due diligence stage upon approval. Is this still applied?</p> |
| | <p>As mentioned in the Open Information Session and the relevant presentation available at Open Information Session Presentation (eif.org), slide 20, it is foreseen that initial signatures with financial intermediaries may be completed in Q2 2025, subject to the number of applications to be received.</p> <p>For the Selection Procedure that applies please refer to par. 8 of the sf-equity-greece-call-expression-of-interest.pdf (eif.org).</p> |
| 10. | <p>Is the application processed on a first come first serve status? Or applications would be assessed once the call closes?</p> |



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| | This is a closed call. Applications will be received within the deadline and will then be assessed in a competitive manner. No first come first serve evaluation shall apply. |
| 11. | What is the minimum and maximum limit for funds commitment; I suspect these funds are qualified as public funds so what is the quota of such participation on total funds raised (%) |
| | Please refer to the Term Sheets available on the Call page, specifically the minimum Independent Private Investor contribution foreseen under the Pari Passu and Non Pari passu structures. |
| 12. | What instruments fall under “quasi-equity”? Are revenue based loans included? |
| | In the context of EquiFund II, quasi-equity is defined as instruments that may be non-dilutive at first but that provide Fund Managers with access to the capital of a Final Recipient in the short-term and equity like return; this equity ownership allows Fund Managers to deploy their value creation strategy. Those include convertible loans and preferred shares. As such, revenue-based loans are not deemed quasi-equity instruments. |
| 13. | Regarding the ”Independent Private Investor contribution” term, in the non-pari passu structure, of the Sustainability and Social Impact window, is the minimum of 10% or 20% or 30% at a company level, measured in terms of equity percentage or amount invested? |
| | For all windows and all structures (pari passu and non pari passu), the minimum independent private investor contribution refers to private participation leveraged at fund level. |
| 14. | Can you elaborate on what you mean with “quasi equity” instruments? Would you consider mezzanines as a quasi-equity instrument? |
| | See answer to Q12 above. |
| 15. | Is the 30% of the funding allocated to non-Greek companies applicable to both the pari-passu and non-pari passu solution? |
| | If the reference is to the cap foreseen for regional funds: yes, that is correct. |
| 16. | On the Sustainability and Social impact window, and especially on the impact sub-window, how is a final recipient identified as eligible for this theme? Is enough the NACE code, corporate practices or are there other criteria? How is the thematic character of each investment certified? |
| | Under the Sustainability and Social impact window, please note the following: <ul style="list-style-type: none"> - Funds are expected to be active mostly in the sub-sectors indicated in the Term sheet, although this list is not exhaustive. - The investment and impact strategy of each fund, including its sectoral focus, will be assessed by the investment team of EIF, and will be captured in the legal documentation of the Fund. - In particular for the Social Impact sub-window, fund managers will have to target either: <ul style="list-style-type: none"> o Social enterprises, which are defined as companies for which the social or societal objective of the common good is the reason for the |



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| | <p>commercial activity, often in the form of a high level of social innovation; whose profits are mainly reinvested to achieve this social objective; where the method of organisation or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice; or</p> <ul style="list-style-type: none"> ○ Impact-driven enterprises, defined as companies that have as main objective the pursuit of social impact, including through expansion and scaling of their business model and related impact strategy, including skills and education. They consider positive impact accruing to stakeholders as an investment objective at-par with the financial risk/return profile of each investment. <p>- On the impact measurement methodology, the provisions of the relevant Term sheet (pg. 18-20) shall apply.</p> |
| 17. | <p>Are established fund managers with existing - operating - funds eligible for EQUIFUND II? Could the call, in principle, exploit the participation in a fund's second closing?</p> |
| | <p>In principle, the participation in a fund's second closing could be considered, subject to all call requirements being met. The eligibility of any investments undertaken between first and second closing (or any other closing in which the EIF would participate through this Call) would need to be considered subject to the Call specificities and the overall regulatory applicable framework.</p> |
| 18. | <p>Do HDBI (Hellenic Development Bank of Investments) and other Greek financial institutions qualify as private investors under the "Credit Institutions" reference in the definition of "Private Investors" under the pari passu structure?</p> |
| | <p>Reference is made to the Commission's Market Economy Operator Test for Risk Finance Measures: Practical guidance for Member States ("MEOT Guidance") as amended or replaced from time to time, specifically point 3(9): "...an international financial institution in which a Member State is a shareholder, or a legal entity that carries out financial activities on a professional basis which has been given a mandate by a Member State or a Member State's entity at central, regional or local level to carry out development or promotional activities (national promotional bank or another promotional institution), would not be considered private investors." Accordingly, national promotional banks or other national promotional institutions that fall under point 3(9) above would not be considered Private Investors.</p> |