European Investment Fund

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MINISTRY OF INDUSTRY AND TRADE OF THE CZECH REPUBLIC

Frequently Asked Questions (FAQ)

Call for Expression of Interest to select Financial Intermediaries for a University AI TT Fund and a StratTech VC Fund under the RRF Czech Republic Fund of Funds

The aforementioned Call for Expression of Interest (further "Call") stipulated that: "The EIF shall analyse and may provide answers to questions from Applicants by publishing the resulting answers in the form of a **Frequently Asked Questions (FAQ)** document at RRF Czech Republic Fund of Funds and may also provide such answers in the form of direct responses to the Applicants, to be published in an updated version of the FAQ document from time to time. For the avoidance of doubt, the EIF reserves the right to update the FAQ document from time to time as and when it regards appropriate".

In accordance with this provision, we hereby present the Frequently Asked Questions (FAQ) document. Capitalised expressions utilised below shall have the meaning attributed to them in the Call, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by the EIF and in a random order.

Q1	**Expected GP commitment: what €/% is "adequate minimum" given fund size? Can a team commit partly via the carry vehicle? Any financing prohibitions for GP commit?**
A1	No specific amount/% is prescribed. As stipulated in the Call, the Applicant's proposed commitment will be assessed against and aligned with the Fund economics and the broader financial position of the Fund Manager's team to provide a relevant alignment of financial interest with investors. No mechanics for the commitment are prescribed. The commitment to the Fund could potentially be made directly by the individuals, through the management company, the carry vehicle or other entity, as long as the team is the ultimate source of this commitment, which will be drawn at the same time as the commitments of the other investors. The definitive arrangement will be agreed between the EIF and the Fund Manager.
Q2	**What target fund size and minimum/maximum EIF ticket are you expecting? What private € needed at 1st close and final close (and timing)? You reference reliance on our ability to source private financing but give no thresholds.**
A2	No specific guidance can be provided as it depends on many aspects. The fund size would generally be based on the Fund's strategy (particularly its portfolio model – capital allocation, number and size of expected investments) and the economic viability of the Fund Manager. The EIF may commit all resources remaining available under the RRFCZ FoF to a single fund (either University AI TT Fund or StratTech VC Fund) or split the amount in any manner between more funds, depending on the specific applications received (their quality, requested

	commitment, etc.). EIF's initial expectation was to select two Financial Intermediaries, though this is not a definitive indication. The amount of required private capital is not prescribed and will depend particularly on the State aid option chosen by the Applicant as per Annex V.
Q3	**What % of commitments must be from Independent Private Investors to satisfy MEOT/pari-passu tests for State-aid? In other words, is 30% involvement of Independent private investors in the Fund a must from this point of view or can it be lower? (given the tight restrictions of the ToR, we expect this to be an issue)**
A3	As per Annex V, the indicated 30% is a minimum under the MEOT option. Under certain circumstances, should the EIF choose to commit further resources alongside the RRFCZ FoF (something that is an option to be determined during the assessment), such could partially account towards this % as per point (15) of The Market Economy Operator Test for Risk Finance Measures: Practical guidance for Member States (26/01/2024).
Q4	**Any hard caps on public capital share at first/ final close? Any matched-funding ratios by vintage or draw?**
A4	The State aid option chosen by the Fund Manager out of those presented in Annex V needs to be complied with at all times. All existing investors in the Fund are expected to be drawn at the same times, with any new investors joining the Fund at later closings being fully equalised with existing investors.
Q5	**Is recycling of early proceeds allowed (to fees or to new investments)? Up to what cap, and does it affect the Minimum RRF Allocation test?**
A5	Recycling is typically allowed, in line with standard market practices. A cap may be agreed between the EIF and the Fund Manager. Recycling may allow the Fund to increase its overall invested volume, hence making it potentially easier to meet the Minimum RRF Allocation.
Q6	**Please, confirm eligible forms: pre-seed "projects" pre-incorporation, IP licensing/project finance, spin-offs. What instruments are acceptable for "projects" (convertible IP revenue-share, SAFEs, grants-with-recoup)?**
A6	The listed targets would be eligible. In terms of instruments, none are prescribed beyond compliance with the notion of equity or quasi-equity financing – in principle, the listed examples of instruments sound suitable, though their definitive acceptability may depend on further details of intended use/terms.
Q7	**Any minimum/maximum initial ticket sizes and follow-on ratios per Final Recipient? The document only has a 10% of fund size per Final Recipient cap (with AC override). Clarify the AC voting mechanics for overrides.**
A7	None are specifically prescribed. Specific mechanics of the limited partners advisory committee would be agreed between the EIF and the Fund Manager (as well as potentially other investors), but an increase of the concentration limit would normally entail a simple majority vote by the committee's members.
Q8	**For non-Czech companies deemed eligible based on "demonstrable link" to a Czech university: what documentary evidence is sufficient (IP assignment, sponsored research contract, personnel split)? Who certifies and at what time?**
A8	The assessment will be always performed at the time of the first investment in such company. No specific evidence is prescribed, but the Fund Manager's representations regarding the company's compliance with this criterion should be able to withstand rigorous scrutiny and

	potential audit. More detailed requirements for particular evidence could be agreed between the EIF and the Fund Manager, and the EIF will review drawdown notices from the Fund Manager throughout the Fund's investment period with respect to such agreed evidence.
Q9	**Expense cap: confirm broken-deal costs and TTO diligence costs treatment.**
A9	The EIF does typically not require a cap on fund expenses, other than a cap on establishment costs and a cap on management fees. Further details, including treatment of broken-deal costs, would be negotiated between the EIF and the Fund Manager.
Q10	**Fee offsets: will monitoring/transaction/break-up fees, TTO reimbursements, or board fees be 100% offset against management fees? Define any carve-outs for incubation/program fees.**
A10	Any other income of the Fund Manager may be offset against the management fees. Details would be negotiated between the EIF and the Fund Manager.
Q11	**Waterfall: you outline a standard European-style with full catch-up, 25% catch-up and 80:20 thereafter, but the hurdle is "market standard" not stated — please specify the IRR hurdle and compounding basis; confirm European waterfall, escrow/clawback, and fee/expense netting?**
A11	The waterfall provided in the Call is indicative, considered as a general standard. Applicants can potentially propose their own waterfall. A hurdle would depend on other aspects of a proposal and remains to be proposed by each Applicant. For example, a multiplier hurdle instead of an IRR-based hurdle could also potentially be considered. This would be further negotiated between the EIF and the Fund Manager.
Q12	**"Any part of proceeds distributable to EIF may be assigned to partnering universities." Mechanically, does this assignment occur before or after carry calculation? Could it create a synthetic preferred return for universities or dilute GP carry?**
A12	While the arrangement is an option and not a requirement, and its details would need to be further fleshed out by the Fund Manager in cooperation with the partnering universities and the EIF, its intention has been to be fully neutral to other entities (GP and other investors) and not affect any calculations. In practice, it simply refers to a certain amount of distributions that would be normally received by the EIF under the defined waterfall instead being received directly by the partnering universities. This would be equivalent to the EIF receiving these distributions and then transferring them to these universities itself.
Q13	**Independence: you require the Manager be "substantially independent" of investors/sponsors. Please define prohibited LP rights (e.g., vetoes) and acceptable LPAC scope so we can structure side letters safely.**
A13	Details would be negotiated between the EIF and the Fund Manager. Generally, a third party should not be able to substantially affect the Fund Manager, by exercising control over the team and its decision-making (vetoes included).
Q14	**Advisory Committee: composition, voting thresholds (incl. for concentration cap overrides), conflict-review scope, and binding vs advisory outcomes.**
A14	Details would be negotiated between the EIF and the Fund Manager. Industry standards should apply. The EIF expects to have a seat at the advisory committee.
Q15	**Key-person events, for-cause removal, and no-fault divorce — what are the triggers and LP vote thresholds? (Not specified in the term sheet.)**
A15	Details would be negotiated between the EIF and the Fund Manager. Industry standards should apply.
Q16	**Base currency and FX guidance (Czech focus but AI is global). Are FX hedging costs fund expenses? (Not specified.)**

A16	The Fund is expected to be EUR-denominated, though will be able to make investments in any currency. FX hedging costs are typically included in fund expenses.
Q17	**Collaboration agreement with universities and research institutions – is it expected to be concluded prior to submission (unrealistic from our point of view)? If not, how binding are the principles outlined for such agreements in the ToR?**
A17	The agreement principles outlined in the Call are indicative, intended to provide guidance. The agreement is not required (nor at all expected) to be concluded prior to submission and may potentially also not be concluded at the time of the Fund's launch though it would be a very strong preference.
Q18	**Do you have any predefined allocation targets among the three fund types? Is there an ideal or "sweet spot" fund size and level of potential EIF participation?**
A18	Please refer to answer A2.
Q19	**Additionally, is there any guidance on the expected ratio between private capital and EIF capital?**
A19	Please refer to answers A2, A3 and A4.
Q20	**Does the pre-revenue focus allow for completely new or idea-stage companies, i.e., startups that are just being established and may not yet have a product? Or is a minimum stage such as MVP required? Is this criterion strict, meaning no revenue at all, or is a limited amount of revenue acceptable — and if so, what would be the threshold? Are there any restrictions regarding the maximum age of a company at the time of investment?**
A20	The pre-revenue focus allows for completely new or idea-stage companies. The criterion shall formally correspond to Seed stage as defined by Invest Europe. There is no prescribed age threshold for the companies, though some may potentially apply depending on the chosen State aid option as per Annex V.
Q21	**Does the fund need to be entirely new, or could an existing fund qualify?**
A21	An existing fund qualifies as long as it meets the criteria of the Call.
Q22	**Are there any specific regulatory regimes required for the investments (e.g., de minimis)? Does the fund need to maintain separate portfolios — for example, Czech vs. Private, — or is it possible to operate under a single unified portfolio? Based on the call, it seems that the focus is solely on the Czech connection, without specific geographic limitations within the country (e.g., Prague vs. other regions). Could you please confirm?**
A22	There are no additional requirements of this nature beyond those outlined in the Call.
Q23	**Are there any particular requirements or restrictions regarding private LPs or co-investors, such as their regional origin or other eligibility criteria?**
A23	They shall comply with the definition of Independent Private Investors, if such are required depending on the chosen State aid option in Annex V. The Fund Manager shall otherwise comply with all applicable legislation and regulations, including any related to KYC requirements.