

European Social Entrepreneurship Fund (“EuSEF”)

Legal framework:

Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.

Act No. 240/2013 Coll., on Management Companies and Investment Funds, particularly Articles 96, 204, 273, 298, 479 (2) and 480 (3).

Government Regulation No. 243/2013 Sb., on Investing of Investment funds and on Efficient Portfolio Management Techniques, particularly Articles 90 to 97.

Act No. 89/2012 Coll., Civil Code, particularly Article 126, with derogation pursuant to the Articles 5 (3) and 203 (3) of the Act No. 240/2013 Coll.

Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Commercial Corporations Act), particularly Articles 8, 135, 276 and 277, with derogation pursuant to Article 157 (1), 159 (3) and 205 (1) of the Act No. 240/2013 Coll.

Introduction:

The investment fund using the designation “EuSEF” has to invest at least 70 % of its capital contributions (including uncalled capital contributions) into the qualified investments (Article 3 (e) of the Regulation 346/2013). From the point of view of Czech law, the EuSEF is considered to be a qualified investors fund. It is bound mainly by the Regulation 346/2013.

In areas not regulated by the Regulation 346/2013, the Act No. 240/2013 Coll. and the Government Regulation No. 243/2013 Coll. shall be applied.

The manager of this fund must not be authorized pursuant to AIFMD. On the other hand it may be authorized pursuant to UCITS Directive.

The manager of this fund is entitled to market or manage these funds with EU-passport and to use the designation “EuSEF”.

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<p>Manager</p>	<ul style="list-style-type: none"> • Investment fund with internal management • Management company not authorized pursuant to AIFMD and authorized to manage EuSEF (external manager) • EU management company registered pursuant to EuSEF Regulation (external manager) 	<p>Depository</p>	<ul style="list-style-type: none"> • Bank having its registered office in the Czech Republic • Foreign EU bank having its branch in the Czech Republic • Investment firm or an equivalent EU entity having its branch in the Czech Republic and complying with the highest capital adequacy ratio • Notary, if it is a private equity fund • Foreign EU bank not having its branch in the Czech Republic (until July 22, 2017)
<p>Administrator</p>	<ul style="list-style-type: none"> • Manager which is authorized to perform the administration of qualified investors funds • Other management company authorized to perform the administration of qualified investors funds • Central administrator authorized to perform the administration of qualified investors funds 	<p>Prime Broker</p>	<ul style="list-style-type: none"> • Bank having its registered office in the Czech Republic • Foreign EU bank • Investment firm or an equivalent EU entity having its branch in the Czech Republic and complying with the highest capital adequacy ratio • Non-EU entity subject to prudential requirements and supervision
<p>Legal forms</p>	<ul style="list-style-type: none"> • Limited liability partnership (SCS), including limited liability partnership by shares (SCA) • Limited liability company (Sàrl), including limited liability company by shares • Private/public limited company (SA), including investment company with variable capital (SICAV) • Cooperative, including European cooperative society (SCE) • European company (Societas europaea, SE) • Common fund (FPC, open-ended or closed-ended) • Trust fund 	<p>Types of units</p>	<ul style="list-style-type: none"> • Possible for shares and investment shares (SA or SICAV), shares in a limited liability partnership by shares (SCA), shares in a limited liability company (Sàrl), common fund units and shares in a cooperative
<p>Initial capital of the manager</p>	<ul style="list-style-type: none"> • At least 50,000 EUR for an investment company or management company not authorized pursuant to UCITS Directive • At least 125,000 EUR for other management company 	<p>Net asset value</p>	<ul style="list-style-type: none"> • At least 1,250,000 EUR within 12 months of the day of incorporation of the fund • At least 1,000,000 EUR within the time specified in the fund rules and instruments of incorporation, if it is a private equity fund (investing at least 90 % of its assets into holdings in other entities and in intellectual property)
<p>Initial capital of the administrator</p>	<ul style="list-style-type: none"> • If the administrator and the manager is the same person, see above the initial capital requirement for the manager • At least 50,000 EUR for a central administrator • At least 50,000 EUR for a management company not authorized pursuant to UCITS Directive or AIFMD • At least 125,000 EUR for other management company 	<p>Eligible investors</p>	<ul style="list-style-type: none"> • Professional client or a person which may be treated as a professional client on request • A person who commits to investing a minimum of 100,000 EUR and who provides a written statement that he or she is aware of the risks associated with the investment • An executive, a director or an employee involved in the management of the manager of the fund

Eligible investments	<ul style="list-style-type: none"> • Cash and valuable assets • Capital calls permitted
Issuance of bonds	<ul style="list-style-type: none"> • Up to the amount of uncalled capital commitments
Establishment and incorporation of a fund	<ul style="list-style-type: none"> • Common fund (FCP) is established by the agreement between founders and the manager on the content of the fund rules or by the adoption of the fund rules by the manager and it is incorporated by the registration in the register maintained by the Czech National Bank • Trust fund is established by the contract and incorporated by the acceptance of the management by the manager • Corporation (SA, SCS, Sàrl, Cooperative) is established by the instruments of incorporation or by the charter of incorporation or by the adoption of the articles of association and it is incorporated by the registration in the public (business) register • European company (SE) is established by the merger, as a holding SE, as a subsidiary SE or by conversion of SA into SE and it is incorporated by the registration in the public register
Public marketing	<ul style="list-style-type: none"> • Can be marketed publicly, but the investor can be only a qualified investor, to which must be expressly pointed
Calculation of value of units or shares	<ul style="list-style-type: none"> • At least annually (or at least once every 2 years, if it invests in real estate), in a way specified in the fund rules or in the Act
Valuation of assets and liabilities	<ul style="list-style-type: none"> • The rules for valuation of assets must be stated in the fund rules and have to ensure a proper and transparent valuation procedure. For valuation of liabilities the general regulation applies. • The procedures for valuation have to ensure proper valuation at least on annual basis
Eligible assets	<ul style="list-style-type: none"> • Equity or quasi-equity instruments that are issued by: <ul style="list-style-type: none"> - a qualifying portfolio undertaking and acquired directly by the fund from the qualifying portfolio undertaking,

	<ul style="list-style-type: none"> - a qualifying portfolio undertaking in exchange for an equity security issued by the qualifying portfolio undertaking, or - an undertaking of which the qualifying portfolio undertaking is a majority-owned subsidiary and which is acquired by the fund in exchange for an equity instrument issued by the qualifying portfolio undertaking <ul style="list-style-type: none"> • Units or shares of one or several other EuSEFs, provided that those funds have not themselves invested more than 10 % of their aggregate capital contributions and uncalled committed capital in other EuSEFs • Securitised and un-securitised debt instruments issued by a qualifying portfolio undertaking • Secured or unsecured loans granted by the qualifying social entrepreneurship fund to a qualifying portfolio undertaking • Any other type of participation in a qualifying portfolio undertaking • Other assets specified in the fund rules (non-qualifying investments)
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Investment limits	Global	Counterparty	Concentration
Qualifying investments	min. 70 %	30 %/10 % ¹⁾	--
Other assets	max. 30 %	30 %/10 % ¹⁾	--
Efficient portfolio management techniques	<ul style="list-style-type: none"> • Repurchase transactions and securities lending transactions • Financial derivatives • Manager shall not increase the exposure (i.e. using leverage) of the fund beyond the level of its committed capital 		
Master-feeder structures	<ul style="list-style-type: none"> • It may be both master and feeder of another EuSEF 		
Fund rules and prospectus	<ul style="list-style-type: none"> • Contains investment strategy, description of risks associated with investment in the fund and other information necessary for investors 		

<p>Disclosure of information to investors prior to their investment</p>	<ul style="list-style-type: none"> • Identity of that manager and any other service providers • Amount of own funds available • Description of the investment strategy • Description of the risk profile • Description of the qualifying social entrepreneurship fund's valuation procedure and of the pricing methodology for the valuation of assets, • Description of how the remuneration of the manager is calculated • Description of all relevant costs and of the maximum amounts thereof • Past performance • Business support services and the other support activities provided by the manager to qualifying portfolio undertakings • Description of the procedures by the investment strategy can be changed 	<p>Dissolution with liquidation</p>	<ul style="list-style-type: none"> • For dissolution with liquidation of an investment fund with legal personality the provisions of the Act providing for the dissolution with liquidation of a management company shall apply <i>mutatis mutandis</i>. The liquidator is appointed and dismissed by the Czech National Bank or by the court, in case of dissolution by the court. The liquidator shall be registered in the register maintained by the Czech National Bank. • Dissolution with liquidation of a common fund: the manager sells assets and pays off liabilities. The administrator ensures the redemption of units. • Termination of a trust fund management (i.e. dissolution of a trust fund): the administrator shall transfer the assets to the investors
<p>Mergers, acquisitions and alike</p>	<ul style="list-style-type: none"> • Authorization of the Czech National Bank is not required • Investment policy can be changed • Investment fund with legal personality can be transformed • Transfer of assets to shareholders is prohibited. However, it is permitted to transfer assets to a shareholder, which is the fund. • Two qualified investors funds can be merged into one qualified investors fund • Conversion of a private/public limited company into an investment company with variable capital (SICAV) is possible by changing the articles of incorporation • Conversion of a common fund into an investment company with variable capital (SICAV) and conversion of a closed-ended common fund into a private/public limited company (SA) are permitted • Conversion into a foreign investment fund, both with legal personality and without it, is permitted • For conversion of a sub-fund the provisions of the Act providing for the conversion of a common fund shall apply <i>mutatis mutandis</i> 	<p>¹⁾ In case of investments in one another qualified investors fund (or a foreign equivalent investment fund).</p>	