

**EQUITY and
QUASI-EQUITY****Guarantee Fund
for investments in venture capital****DETAILS****COUNTRY:** Italy**REGIONAL COVERAGE:** Friuli Venezia Giulia**IMPLEMENTATION PERIOD:** 10/2019 - Ongoing**LINK:** https://www.regione.fvg.it/rafvfg/cms/RAFVG/economia-imprese/accesso_al_credito/FOGLIA357/**GOALS, RECIPIENTS, BENEFICIARIES**

The Regional Guarantee Fund for venture capital investments in innovative start-ups aims to offer capitalisation opportunities to existing innovative start-ups, as well as to promote the birth and establishment of new initiatives in Friuli Venezia Giulia region.

Investors who carry out venture capital operations in innovative start-ups can be guaranteed. These are financial intermediaries and holding companies, as defined by Italian tax law, or independent private investors.

The investment initiative proposed to the Fund is based on the positive assessment of the innovative start-up business plan by the investor or independent professional, carried out according to criteria of professionalism and good faith.

The final recipients targeted are innovative start-ups, as provided by the Italian Law, with head and operations office in Friuli Venezia Giulia Region.

The financial envelope of the Fund is EUR 5.5 million. The Fund's allocations may be supported by:

- contributions from the Region;
- contributions from the State, other public administrations and private entities;
- interest accrued on treasury stocks;
- savings and redemptions related to financial transactions;
- ERDF 2014/2020 structural Funds.

SUPPORT

The guarantee is provided free of commission on the eligible operations for an amount up to 70% of the investment operation and for a total guaranteed amount up to Euro 1 million. The guarantee will cover the amount of the loss which is equal to the difference between the purchase price and the selling price of the shares. If the conditions for exercising the put option are not met and therefore a selling price is not available, an estimated fair value will be used to estimate the amount of the loss.

The investment operation must be completed, with all the amounts being paid to the beneficiary, within 24 months from the approval of the guaranteed eligibility. The guarantee is offered for the entire time horizon of the investment operation if it does not exceed 7 years. In case of need to ask for the execution of the guarantee, the venture capitalists must fill a request to the Managing Committee of the Revolving Fund for Economic Initiatives.

A preliminary amount equal to 50% of the guarantee is paid to the investor. The final payment is operated after the conclusion of the winding-up operations.

- Reimbursement of the entire amount of the investment operation in the form of equity is operated in case of:
- Sale of the shares for the final beneficiary
- Deadline of the last term for exercising the put option.
- Reduction of the share capital to zero for covering accrued losses.

ELIGIBLE PROJECTS / EXPENSES

As part of venture capital investments, the Fund's guarantee shall assist the following investment operations:

- investments in quasi-equity structured as privileged capital to be implemented through subscription of shares or preferred units, with a "put option";
- investments in quasi-equity structured in forms other than privileged capital, to be made in conjunction with investments in quasi-equity structured as privileged capital.

The guarantee is provided free of commission on the eligible operations for an amount up to 70% of the investment operation and for a total guaranteed amount up to Euro 1 million.

1. Investor Evaluation

Positive evaluation of the innovative startup business plan by the investor.

2. Request for guarantee

Application by the investor to the Managing Committee for the guarantee.

3. Granting of Guarantee

Approval of the application by the Managing Committee - 90 days delay maximum.

4. Investment

Investment in quasi-equity structured both as privileged capital and other than privileged capital - 24 months delay maximum

PROCEDURE

The instrument has been activated by the Autonomous Region Friuli Venezia Giulia in 2019, within the Revolving Fund for Economic Initiatives (FRIE), which boasts already a consolidated governance structure.

The Managing Committee of the Revolving Fund for Economic Initiatives requires a positive evaluation of the business plan of the start-up from the promoting investor to decide on the guarantee's request. The Secretariat of Managing Committee receives each application presented by the investors and decides on the guaranteed request.

The initiatives submitted are instructed by the Secretariat of the Managing Committee of the FRIE according to the chronological order of receipt and are granted, in general, within 90 days of receipt of the investor's request.

Investors must, alternatively:



have been active for 5 years, if legal persons, and have closed 10 equity or quasi-equity investment transactions in the last 10 years.



invest together with other investors who have requirements or together with innovative start-up incubators or investors recognized by Consob legislation.



provide a certificate concerning the veracity of the company data and the feasibility of the start-up business plan drawn up by an independent professional.

STATUS and RESULTS

This instrument represents a first attempt of the regional administration to support the regional VC market and to meet the financing needs of companies in the early stage. The fund will target operations for a value of up to 1 million Euro per startup and aims at using all the allocated resources. Therefore, a minimum of five operations conducted with the support of the fund is envisaged.

REMARKS

Venture capital is largely accepted as a key contributor to the financing of RTDI-driven businesses. Venture capitalists are well-equipped to evaluate the risk-return potential of RTDI-driven businesses and may be actively involved in the operations of their investments.

The Italian Venture Capital industry is still lagging many other European countries. In this context, public interventions in the market may be very helpful to drive the Italian VC market to a more mature stage. This guaranteed mechanism represents, therefore, an interesting example of how policymakers can boost the VC market, at a regional level, leveraging on public funds.

CONTACTS

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