

**Clarifications on the Call for Expressions of Interest No. JER-002/2
to select Financial Intermediaries that will receive resources from the European Investment Fund
acting through the JEREMIE Holding Fund for Romania
to implement the Risk Capital Fund Instrument (the "Financial Instrument")**

The Deadline for the submission of Expressions of Interest is 14 June 2010

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.

Question 1 (Q1):	Is it possible for an Applicant to send alternative / multiple offers requesting different contributions from JHF? If yes, how should such offers be sent? As an independent offer (i.e. in a different envelope, with all the documents, and in a separate email message) or as part of a general offer (i.e. relevant chapters of the Expression of Interest should present the alternatives)?
EIF Answer 1:	Applicants may submit maximum two expressions of interest requesting different contributions from the JHF. Relevant applicants are requested to present each expressions of interest separately.
Q2:	In case of joint ventures/consortia, should all the members attach documents as per Appendices 3-6 to ANNEX 1 or only the coordinating entity nominated/indicated as the contractual counterpart for EIF for the entire term of Operational Agreement?
EIF Answer 2:	Appendices 3-6 should be filled in by all members of a consortium or joint venture. Only the Expression of interest is filled in and signed only by the coordinating entity of a consortium or joint venture. Please see also Answer 17.
Q3:	Should the MoU or other pertinent contractual document regulating joint ventures or consortia responding to this EoI, be attached to the proposal documents?
EIF Answer 3:	The main terms need to be described in the Expression of Interest as part of the presentation of the management team and the actual document can be made available during due diligence.
Q4:	Can private bodies from sectors other than the financial (manufacturing, commerce, consulting, etc) and/or even individuals participate as shareholders in the management company (and not only as LPs – private investors) ?
EIF Answer 4:	There is no set expectation on the shareholders structure of the Applicant, so long as the Financial Intermediary fulfils the criteria listed in the Call and is suited for the task.
Q5:	Please confirm that joint ventures/consortia are allowed to set up a new management company (fund manager) after they are awarded the contract as indicated in the contents of the business plan to be delivered (Appendix 2 to Annex 1.... Management... if it's planned to set up a new entity as fund manager).
EIF Answer 5:	The new fund management company must be legally set up at the time of the signature of the Operational Agreement at latest, which is after the time of the announcement of the results of the selection process, given the time necessary to secure the private funding.
Q6:	Does the management company (fund manager) have to be/become a legal entity in Romania?
EIF Answer 6:	There is no set expectation on the place of registration of the Applicant, as long as

	compliance with the EIF's Policy on Offshore Financial Centres & Governance Transparency is ensured. The Policy is available for download on the EIF website at: http://www.eif.org/attachments/publications/about/2009_OFC_and_Governance_Transparency_Policy.pdf .
Q7:	Does the comparative evaluation of proposals includes any specific quantitative financial criteria concerning projected costs or proposed management fee or all these are included under the evaluation of viability of the Fund's size?
EIF Answer 7:	The evaluation of proposals will be conducted under competitive terms following the standard procedures and guidelines applied by EIF and considering the Quality Assessment Criteria stipulated in the Call. Among them, Quality Criterion 3 "Institutional Capacity & Sustainability" comprises the "Terms and Conditions, including management fee and profit share arrangements".
Q8:	Given that the process is identified as an Eoi (Expression of Interest) please verify that no second round of proposal's submission is projected?
EIF Answer 8:	The selection process will be carried out as described in the Call, section 7. Firstly, the Expressions of Interest undergo an Eligibility check. Applicants who are not excluded according to the Eligibility Criteria will go through the EIF selection process based on the Quality Assessment Criteria. The further selection based on the Quality Assessment Criteria and the due diligence process, if any, follow the standard procedures and guidelines applied by EIF to its business. Further information from applicants may be requested during selection process.
Q9:	Please clarify if there is any restriction concerning the place of incorporation of the General Partner. Is an established private equity fund based in an EU (e.g. a Dutch U.A. Cooperative), with a non-EU General Partner (e.g. a Dutch Antilles registered N.V.) eligible as an Applicant?
EIF Answer 9:	There is no set expectation on the place of registration of the Fund Managers, as long as compliance with the EIF's Policy on Offshore Financial Centres & Governance Transparency is ensured. For more details, please consult the Policy at http://www.eif.org/attachments/publications/about/2009_OFC_and_Governance_Transparency_Policy.pdf . Should an existing General Partner be ineligible, it is possible to set up a new eligible legal structure prior to the signature of the Operational Agreement. Applicants concerned should make this specification as part of the Expression of Interest. Furthermore, it is reminded that, as specified in the Call, the Financial Instrument / Risk Capital Fund(s) shall be governed by the laws of the country of incorporation, to be within the European Union. It is expected that the Fund may be set up as a new legal entity as a result of JEREMIE initiative. No contribution to an already established Fund would be possible.
Q10:	What conceptual/ decision framework does the EIF apply to mitigate any tradeoff between IRR maximization and the scale of the Financial Instrument's impact on the development of the SME sector in Romania? Is there a target IRR expected by EIF from the Financial Instrument ?
EIF Answer 10:	The Fund Manager(s) shall manage the Fund(s) based on commercial principles, aiming for maximization of profit. There is not set expectation of the Financial Instrument's IRR.
Q11:	Does the interest from the escrow account go to the fund manager, the limited partners or both?
EIF Answer 11:	As stated in the Call for Expression of Interest, the mechanics of the disbursements and the escrow arrangement will be set out in the Operational Agreement.
Q12:	Will future investee companies have any restrictions with regards to applying for European Funds (directly or as a partner)?
EIF Answer 12:	SMEs that will receive investments from the Fund(s) shall observe the provisions of Article 7 of Reg. 800/2008. This does not preclude the responsibility of any entity to make a full assessment when applying for any other EU support, given t hat the relevant EU / national framework is not only very diverse, but also subject to continuous updates.

Q13:	With regards to point 2 of the call, paragraph 2 (" GoR as new JHF, will assume the full discretion and responsibility to perform the tasks of the JHF and to implement the Operations in Romania, and may take over the Financial Instrument.") Does "take over" refer to the fact that the government of Romania may substitute the EIF as a limited partner in the Financial Instrument, or are there broader provisions beyond the Operational Agreement envisaged?
EIF Answer 13:	"Take over" as regards the Operational Agreement refers to the possibility that Government of Romania, or an entity appointed by the Government of Romania, may substitute the EIF as a limited partner. See also Answer 14.
Q14:	Does the EIF pledge to fulfil its commitments on behalf of any substitute in the Operational Agreement?
EIF Answer 14:	In the event of substitution of EIF in its role as JEREMIE Holding Fund, it is envisaged that the EIF transfers to the new Holding Fund all the rights and obligations under the Funding Agreement, including the rights and obligations under the Operational Agreements. Whilst the Operational Agreements should remain valid, EIF shall be released from all its obligations.
Q15:	When is the latest date when it will be known that the applicability of Reg. 800/2008 is extended from 2013 to 2015?
EIF Answer 15:	It is expected that this information should become available in due course, however the exact date depends only on the European Commission. Conservatively, Fund Managers should plan for an investment period ending in 2013.
Q16:	Please clarify if the Financial Instrument can bear other costs and expenses associated with the Fund, besides the investment costs and management fee, such as: legal and accounting expenses, fees for outside services (including brokers, auditors, valuers, administrators), annual audit costs, costs of printing and circulating reports, costs of meetings of members, broken deal costs. Please clarify if the required "adequate marketing and publicity campaigns" will be borne by the Financial Instrument.
EIF Answer 16:	For the purpose of the Financial Instrument, the management costs shall be deemed to include any fees, expenses and costs necessary to set up and manage the Financial Instrument. The management costs of the Financial Instrument shall not exceed, on an yearly basis, 3% of the committed capital during the investment period, and of the invested capital thereafter.
Q17:	The Call for Expression of Interest no. JER 2010-002/2 describes the application process (and documents to be provided) for a legal entity. How does a management team who has not constituted a joint legal entity yet apply? Do all members of the team sign one application form? Do the members of the team sign separate/individual application forms? The same question applies for the other required documents (Declaration of Absence of Conflict of Interest, Statement Regarding Situations of Exclusion –1, Statement Regarding Situations of Exclusion – 2: Declaration of Compliance with Community and National Rules and Policies)?
EIF Answer 17:	In case of a management team that has not been constituted, the group of professionals shall be treated as a consortium, with one legal entity or person acting as coordinating entity. Mention shall be made that a new legal entity is intended to be established. Only the coordinating entity shall fill in the Expression of Interest, while the above-mentioned declarations and statements shall be filled in by all participating entities or persons.
Q18:	Does the selection process ensure the confidentiality of the individual team members? More specifically, at what point in the selection process will references be checked and names of the selected entities/teams made public?
EIF Answer 18:	Confidentiality is ensured as part of the usual business practice of the EIF. A reference check will be done during the due diligence process. The name of the selected entities shall be made public at the moment when the selection process is finalized.
Q19:	In the case two fund managers will be selected to manage two separate JEREMIE funds, is there any mechanism in place to avoid competition between the two funds (as they will both likely operate in a very similar market segment)? Will they be

	allowed to invest jointly in companies? Will the EUR 1.5m yearly limit apply to the individual investment or to joint investment of the two funds ?
EIF Answer 19:	<p>There is no mechanism planned to avoid competition in such a case, as this may be beneficial for SMEs.</p> <p>On the basis of Reg. 800/2008, risk capital funds financed by the JHF may not invest into a single SME in the same period of 12 months, if the sum of the investments by the funds should exceed the threshold of 1,500,000 EUR. This means that there may be joint investments, but the cumulative amount restriction applies to the sum of all such investments in SME.</p>
Q20:	<p>In the documentation posted on the EIF website (to be more specific - in the body of the Call of Expression of Interest, page 3) a mechanism of substitution of roles is described in the 2nd section:</p> <p>"Under the Funding Agreement, the European Investment Fund may be substituted in its role as JHF. In the event of such substitution, GoR, or the entity appointed by GoR as new JHF, will assume the full discretion and responsibility to perform the tasks of the JHF and to implement the Operations in Romania, and may take over the Financial Instrument. The Operational Agreements will provide for the possible substitution of the European Investment Fund, in order to allow the transfer of the Operational Agreements to the successor entity."</p> <p>We would like to know more about the substitution of roles - what would be the mechanism? Moreover, what would trigger the substitution (or on whose initiative / discretion / option - EIF's, GoR's, etc) ?</p>
EIF Answer 20:	<p>All rights and obligations of EIF under the Operational Agreements shall be transferred to the new JEREMIE Holding Fund. The precise mechanism shall be determined subsequently, subject to commercial considerations and the analysis of the applicable law at that time.</p> <p>Such a substitution resulting from the termination of the Funding Agreement can be initiated//triggered by GoR and/or EIF.</p>
Q21:	<p>Appendix 2 to Annex 1: Market</p> <p>Detailed description of the targeted market segment: Do you refer to SME's financing or SME's market? What does Co-operation and/or competition with the relevant partners in the market mean?</p>
EIF Answer 21:	<p>The target market segment refers in this context to the market in which the proposed Fund intends to invest, more specifically eligible SMEs as defined in the Call, registered and having as main place of business in Romania.</p> <p>Co-operation/competition refers to which other investors the applicants expect to co-operate/compete with, when investing in final beneficiaries.</p>
Q22:	<p>Appendix 2 to Annex 1: Management/Relevant team member's track record in risk capital transactions (incl. names of investee companies, dates of investment/divestment, investment size, exit multiples, role of team member in each transaction, provide references).</p> <p>Not all requested information is public (investment size, exit multiples). Therefore, in case one team member has a track record with another Fund Manager, most of the requested information can not be disclosed since non-disclosure agreement has been signed by that Fund Manager and the Buyer of the investee.</p>
EIF Answer 22:	<p>In such cases, the team member shall make at least an indicative reference to track record, if possible making other details available during due diligence, as it is standard market practice for fundraising.</p>
Q23:	<p>Appendix 2 to Annex 1: Management/Independence of management team</p> <p>What do you mean: independence from conflict of interests or something else?</p>
EIF Answer 23:	<p>This refers to independence from other private equity or venture capital companies, investors or funds, as opposed to captive structures. This refers to the management team acting independently and taking (investment) decisions independently (e.g. not part of a captive structure).</p>
Q24:	<p>Annex 2 to the Call: Excluded sectors and activities:</p> <p>Why is the manufacture of food products sector excluded from the eligible investment</p>

	sectors, since food industry is still underdeveloped and requires considerable financing for recovery?
EIF Answer 24:	The above-mentioned sector is not eligible for the Financial Instrument for reasons related to the source of funding, namely the Sectoral Operational Programme "Increase of Economic Competitiveness" (SOP IEC), as described in the Call.
Q25:	Annex 2 to the Call: Schedule of Disbursement "As it is currently envisaged, for any expenses of the Financial Instrument, the JHF will initially contribute 100% of the amount necessary to cover said expenses, whilst the Private Investors will pay out their respective share of the drawdown amount, e.g. 30%, into an interest-bearing escrow account. The amounts in the escrow account would not be utilised until all JHF monies have been drawn down and either invested into SMEs or paid as management costs, or until the beginning of 2016." Our understanding on above paragraph is: the committed capital of the private investors has to be paid out into an escrow account from day one, meaning the amounts will be blocked there. Why should the private investors pay upfront the amounts, not at money calls for each investment or related expenses?
EIF Answer 25:	The private investors will only make payments upon receipt of drawdown requests / calls relating to particular SME investment or management cost payment as per normal practice, not full commitment as a lump sum from day one. The difference from the usual disbursement schedule is that, until all JHF monies are spent or until 01/01/2016 (whichever occurs earlier), the private investors pay their respective share upon any drawdown request not into fund, but into an escrow account, while the JHF pays 100% of the amount requested from all investors under the drawdown. This asymmetrical cashflow, utilised in order to ensure that the structural funds (JHF) are spent during the eligibility period, does not affect the proportionality at the level of the investee.
Q26	Annex 2 to the Call: Fund's due diligence before investments What do you mean by "real exit strategy compatible with relevant EC regulations"?
EIF Answer 26:	EC regulations require that a realistic exit strategy is foreseen and assessed by the fund manager already during investment phase, as per normal VC practice.
Q27	Annex 2 to the Call: Reporting, Additional Structural Fund requirements Does the reporting to EIF in compliance with structural funds regulations incur significant amount of resources on top of standard reporting of a regular Fund?
EIF Answer 27:	While this particular aspect will be negotiated as part of the Operational Agreement, to take into account the requirements of the structural funds, there is no unreasonable demands for data on top of the usual reporting requirements of the Funds into which EIF invests. As a rule, EIF requires EVCA compliant reporting and requires confirmation that the underlying investments comply with the investment criteria.
Q28	Annex 2 to the Call: Publicity Do you have cost estimation for JEREMIE's marketing, the publicity campaigns or which are the envisaged actions and their frequencies?
EIF Answer 28:	This will be established in a reasonable manner as part of the Operational Agreement. As an indication, it is expected that the Fund Manager(s) will ensure that the Risk Capital Fund and the investees shall comply with the publicity and visual identity rules described under Reg. 1828/2006, including among others: agreement to be publicly identified as final beneficiaries of the ERDF; use of relevant logos indicating the receipt of funding from ERDF; etc.
Q29	Annex 2, Part II Selection Criteria, Eligibility Criteria The commitment to raise at least 30% of the Risk Capital Fund from the Investors includes the Applicant's commitment of at least 1%, or this amount is to be calculated on the top of the 30%?
EIF Answer 29:	The Applicant's commitment, so long as it is not derived from public funds, shall be considered part of the private investment into the Risk Capital Fund.
Q30	How do you assess the Fund focus and the proposed investment strategy? How do you assess the viability of Fund's size?

	<p>Which criteria do you use for the evaluation of</p> <ul style="list-style-type: none"> - Applicant's investment processes - cashflow generation - ability to invest - ability to add value to companies - exit strategy? <p>Are there any quantifiable criteria, KPI, etc. we can have access to?</p>
EIF Answer 30:	<p>The selection process follows the standard procedures and guidelines applied by EIF. The evaluation of proposals at this phase will be conducted under competitive terms and takes into account the Quality Assessment Criteria listed in the Call.</p>