

ANNEX 2 to the Call for Expression of Interest No JER-001/2011/2

Early Stage ICT Venture_Capital Fund Financial Instrument: Description and Selection Criteria

Capitalised expressions utilised herein 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.

In addition to the above, the table below should be read by taking into account the meaning attributed to certain technical and industry-specific terms by Reg. 800/2008. Unless the contrary intention appears, words in the singular include the plural and words in the plural include the singular.

Part I: Early Stage ICT Venture Capital Fund description

Indicative Summary of Transaction Terms

These indicative terms are an outline of the principal terms and conditions for the Financial Instrument described herein, which are subject to change and non-exhaustive. This document is intended to provide a basis for discussions and does not constitute an offer nor a binding commitment – either implicit or explicit – on the part of EIF or any entity.

When used in this section, the term "EIF" means EIF acting through the JHF.

Financial Instrument	Early Stage ICT Venture Capital Fund (hereinafter – the “Early Stage Fund” or the “Fund”). One or more Financial Instruments will be created, depending on the results of the Call and subsequent selection process.
Fund Manager	The Financial Intermediary selected by the JHF to manage the Early Stage Fund. The Fund Manager will comprise an experienced professional team, operating according to best industry practices, complying with professional standards issued by the EVCA ¹ or other similar organisation. Such team will be expected to act independently. Fund Manager(s) (Financial Intermediaries) will be selected as a result of the Call and subsequent selection process.
Indicative maximum amount of funding foreseen for the Financial Instrument	EUR 15 million.

¹ European Private Equity and Venture Capital Association.

(JHF contribution)	
Investment amount into an Eligible SME	Investments in an Eligible SME can not exceed EUR 1,500,000 during any period of twelve months. The rules for cumulation of financial support shall apply in accordance with art. 7 of Reg. 800/2008.
Financial Instrument availability (Fund duration)	Up to 10 years, with the possibility of extension for 2 additional years.
Financial Instrument's / Fund's investment period	Initial investments in Eligible SMEs must be made before 31 December 2013 (or 2015, provided that the applicability of Reg. 800/2008 is extended). Follow-on investments may be made throughout the duration of the Fund. The disbursements will follow the asymmetric disbursement schedule described below under "Schedule of disbursements".
Type of investments	The Fund will undertake risk capital investments, as defined in Reg. 800/2008, taking the form of either equity or quasi-equity instruments.
Eligible SMEs	The Fund will only target SMEs as defined under Commission Recommendation 2003/361/EC and under Reg. 800/2008, which are not "firms in difficulty" within the meaning of art. 1 (7) of Reg. 800/2008 as amended or substituted by future Community guidelines ("Eligible SMEs"). However, as stipulated by art. 1 (7) of Reg. 800/2008, an SME which has been incorporated for less than three years shall not be considered, for the purpose of the Financial Instrument, to be in difficulty with regard to that period, unless it fulfils the criteria under the relevant National Law as regards collective insolvency proceedings. The Financial Instrument will be fully allocated to SMEs in the ICT sector ² .

² With the following eligible NACE ("Nomenclature statistique des activités économiques dans la Communauté européenne") codes:

ISIC Rev. 4		NACE Rev. 2
	ICT manufacturing industries	
2610	Manufacture of electronic components and boards	26.1
2620	Manufacture of computers and peripheral equipment	26.2
2630	Manufacture of communication equipment	26.3
2640	Manufacture of consumer electronics	26.4
2680	Manufacture of magnetic and optical media	26.8
	ICT trade industries	
4651	Wholesale of computers, computer peripheral equipment and software	46.51
4652	Wholesale of electronic and telecommunications equipment and parts	46.52

	Eligible SMEs must be registered and have their main place of business in Greece.																
Geographical allocation of JHF funding	<p>The JHF funds will be geographically allocated on the basis of the Eligible SMEs' seat/registered office, as follows:</p> <table border="1"> <thead> <tr> <th>Operational Programmes</th> <th>Regions</th> <th>Amount (in EURm)</th> <th>(in</th> </tr> </thead> <tbody> <tr> <td>Regional Operational Programme Attica</td> <td>Attica</td> <td>7.13</td> <td></td> </tr> <tr> <td>Regional Operational Programme Macedonia-Thrace</td> <td>Central Macedonia</td> <td>3.70</td> <td></td> </tr> <tr> <td>Sectoral Operational Programme Digital Convergence</td> <td>Eastern Macedonia and Thrace, Thessaly, Epirus, Ionian Islands, Western Greece, Peloponnese, Northern Aegean, Crete.</td> <td>4.17</td> <td></td> </tr> </tbody> </table> <p>A Financial Intermediary may be allocated funds for one or more Regions.</p>	Operational Programmes	Regions	Amount (in EURm)	(in	Regional Operational Programme Attica	Attica	7.13		Regional Operational Programme Macedonia-Thrace	Central Macedonia	3.70		Sectoral Operational Programme Digital Convergence	Eastern Macedonia and Thrace, Thessaly, Epirus, Ionian Islands, Western Greece, Peloponnese, Northern Aegean, Crete.	4.17	
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Excluded Sectors	<p>A number of industries will be supported, except:</p> <p>a. Illegal Economic Activities</p> <p><i>Any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or</i></p>																

<i>ICT services industries</i>		
5820	Software publishing	58.2
6110	Wired telecommunications activities	61.1
6120	Wireless telecommunications activities	61.2
6130	Satellite telecommunications activities	61.3
6190	Other telecommunications activities	61.9
6201	Computer programming activities	62.01
6202	Computer consultancy and computer facilities management activities	62.02
6203	Computer facilities management activities	62.03
6209	Other information technology and computer service activities	62.09
6311	Data processing, hosting and related activities	63.11
6312	Web portals	63.12
9511	Repair of computers and peripheral equipment	95.11
9512	Repair of communication equipment	95.12

	<p><i>activity.</i></p> <p><i>Human cloning for reproduction purposes is considered an Illegal Economic Activity.</i></p> <p>b. Tobacco and Distilled Alcoholic Beverages</p> <p><i>The production of and trade in tobacco and distilled alcoholic beverages and related products.</i></p> <p>c. Production of and Trade in Weapons and Ammunition</p> <p><i>The financing of the production of and trade in weapons and ammunition of any kind.</i></p> <p>d. Casinos</p> <p><i>Casinos and equivalent enterprises.</i></p> <p>e. IT Sector Restrictions</p> <p><i>Research, development or technical applications relating to electronic data programs or solutions, which</i></p> <p><i>(i)aim specifically at:</i></p> <p><i>(a) supporting any activity included in the EIF Restricted Sectors referred to under 2. a to d above;</i></p> <p><i>(b) internet gambling and online casinos; or</i></p> <p><i>(c) pornography,</i></p> <p><i>or which</i></p> <p><i>(ii) are intended to enable to illegally</i></p> <p><i>(a) enter into electronic data networks; or</i></p> <p><i>(b) download electronic data.</i></p> <p>f. Life Science Sector Restrictions</p> <p><i>When providing support to the financing of the research, development or technical applications relating to</i></p> <p><i>(i) human cloning for research or therapeutic purposes; or</i></p> <p><i>(ii) Genetically Modified Organisms (“GMOs”),</i></p> <p><i>EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or Genetically Modified Organisms;</i></p> <p>g. This list may be updated. The Applicant should refer to the EIF Policies as published on the EIF website. Undertakings active in the fishery and aquaculture sectors, as covered by Council Regulation (EC) No 104/2000;</p> <p>h. Undertakings active in the primary production of agricultural products, as listed in Annex I to the Treaty on the functioning of the European Community;</p> <p>i. The sectors stipulated by Article 1, paragraphs 2-6 of Reg. 800/2008.</p>
Governing	The legal documentation of the Early Stage Fund shall be in the

law and language	English language, and shall be governed by the laws of the country of incorporation, to be within the European Union. All Fund related entities, such as general partner, management company, advisor, carried interest vehicle, team members investment vehicles, <i>et similia</i> , shall be incorporated within the European Union. Any cross-border element of the structure shall be highlighted and justified.
State aid regime	Investments are subject to the State Aid regime defined by Reg. 800/2008. The Fund Manager will be contractually responsible for ensuring that investments made respect the provisions of such regulation.
Private Investor(s)	<p>“Private Investors” shall be deemed to be any investors which, in the reasonable determination of the Fund Manager, are normal economic operators (i.e. investors operating in circumstances corresponding to the market economy investor principle) in a free market economy, irrespective of their legal nature and ownership.</p> <p>The Private Investors’ participation in the Financial Instrument shall constitute, at any time, at least 30 % of the total capital of the Financial Instrument.</p> <p>In the event that Private Investors' participation exceeds 50% of the total capital of the Financial Instrument, JHF may apply a cap on its return, provided that such cap shall be expressed as a positive internal rate of return (IRR) on its net contribution to the Financial Instrument.</p> <p>As a consequence, no closing may take place unless the private participation has reached such minimum limit.</p> <p>In this context, the JEREMIE Holding Fund will be deemed to act as a public investor.</p>
Management cost of the Fund	<p>The management costs of the Financial Instruments shall be according to market practice and shall not exceed, on a yearly basis, 3% of the committed capital during the investment period, and of the invested capital net of the cost of exited and written-off investments thereafter.</p> <p>For the purposes of the above, the management costs shall be deemed to include all and any fees, expenses and costs necessary to set-up and manage the Financial Instrument.</p>
Schedule of disbursements	In principle, all amounts paid by the JHF should be totally disbursed and spent, either towards investments or management costs, before 31 December 2013 (or 2015, provided that the applicability of Reg. 800/2008 is extended).. In order to cater for this, the Early Stage Fund’s schedule of disbursement by the Private Investors and the JHF may be asymmetrical. 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

	<p>respective share of the drawdown amount, 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 Eligible Beneficiaries or paid as management costs, or until the beginning of 2016. In any case, the mechanism to be eventually put in place shall ensure that the underlying economic interests of, and the risks taken by the JHF and the Private Investors, will be aligned throughout the existence of the Fund. The mechanics of the disbursements and the escrow arrangement will be set out in the Operational Agreement.</p>
JHF/ Private Investor ranking	<p>The JHF and the Private Investors in the Early Stage Fund will rank "pari-passu".</p>
Funds' due diligence before investments	<p>The Fund Manager will make investment decisions based on each investment's business plan. This should contain investment description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy compatible with relevant EC regulations.</p>
Funds' distribution cascade	<p>The distributions of proceeds from the Fund(s) will be made according to the schedule below:</p> <ol style="list-style-type: none"> 1. First, 100% to the Private Investors and the JHF (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital commitments; 2. 6% Hurdle Rate: Second, 100% to the Private Investors and the JHF (pro-rata to their underlying economic interest) until each investor has received sums equal to a 6% cumulative annual rate of return on their contributions drawn down and not yet returned; 3. Catch-up: Third, 100% to the Carried Interest beneficiaries until they have received an amount equal to 25% of the total preferred returns distributed to the investors under paragraphs above; and 4. 80/20 Split: Thereafter, 80% to the Private Investors and the JHF (pro-rata to their underlying economic interest) and 20% to the Carried Interest beneficiaries ("Carried Interest"). <p>Should an IRR cap apply on the return of the JHF, the distribution cascade will be modified accordingly.</p>
Additional features	<p>The Fund Manager will manage the Fund, based on commercial principles.</p> <p>Investors' representatives shall be appointed in appropriate advisory committee structures to review inter alia the Fund's</p>

	<p>corporate governance and be consulted and resolve potential conflicts of interest.</p> <p>Investors in the Fund(s) will have the right to terminate the contractual agreement with the selected Fund Manager if the level of investments achieved or the efforts made towards achieving the investment strategy set, within the Investment Period, are deemed to be unsatisfactory. Specific deployment milestones will be mentioned in the relevant contractual documents.</p> <p>In the management of the Fund, the Fund Manager shall apply best practices and perform control applicable to the public nature of JHF investment, inter alia considering guidelines developed by the EVCA.</p>
Reporting	The Fund Manager shall provide EIF with periodical information in a standardised form and scope in compliance with structural funds regulations, as will be specified in the Operational Agreement.
Monitoring and Audit	The Fund Manager and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to documents related to the relevant Financial Instrument for the representatives of the Hellenic Republic, the European Commission (including the European Anti-Fraud Office (OLAF), the Court of Auditors of the European Communities, EIF and any other authorised bodies duly empowered by applicable law to carry out audit and/or control activities. To that effect, the Fund Manager shall also include appropriate provisions in each agreement with the SMEs.
Publicity	The Fund Manager, in line with applicable law (Structural Funds publicity provisions and Reg. 1828/2006) shall carry out adequate marketing and publicity campaigns ³ aimed at making the JEREMIE initiative known to the Eligible SMEs in Greece.
Additional Structural Fund requirements	This Financial Instrument is funded by EU structural funds and it is therefore subject to structural funds regulation and requirements, some of which have already being presented in this Annex, hereabove (e.g. Monitoring and Audit, Publicity, Reporting etc). It should be noted however that more detailed information on actions necessary to ensure compliance of operations linked to this Financial Instrument with all structural funds requirements (e.g.

³ Inter alia, the selected Financial Intermediary will be contractually required to:

- Product labelling: The name of the product should clearly point to JEREMIE (e.g. "JEREMIE Early Stage ICT Fund");
- Promote JEREMIE and the Financial Instrument through its website (if applicable);
- Make at least two promotional publications in the five biggest newspapers and in the three biggest financial newspapers;

In addition, all documents concerning this Financial Instrument, including amongst others, investment agreements, promotional material to the SMEs, etc, will contain a statement mentioning that part of the financing comes from European Regional Development Fund (ERDF) and also national resources - Appropriate text and logos is envisaged to be provided to the selected Financial Intermediary during the phase of contractual negotiations.

	retention of documents, environmental protection, equality and non discrimination) will be provided to and discussed with the selected Financial Intermediary during the contractual negotiations process.
Additional requirements	The Applicant shall refer to EIF Policies, in particular: <ul style="list-style-type: none">- Anti Fraud Policy;- Policy on Offshore Financial Centres & Governance Transparency; published on the EIF website.

Part II: Selection Criteria for the Early Stage Risk Capital Instrument

1.	ELIGIBILITY CRITERIA	System of appraisal
		Yes/ No
A.	Receivability	
1.1.	The Expression of Interest is submitted within the Deadline;	
1.2.	The Expression of Interest is submitted both by registered mail and e-mail;	
1.3.	The Expression of Interest is completed and submitted in English;	
1.4.	The Expression of Interest is duly signed;	
1.5.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided.	
B.	Eligibility	
1.6.	Applicant's absence of conflict of interest (as per template provided in Appendix 4 to the Expression of Interest);	
1.7.	Applicant and its senior management are not in any situation of exclusion (as per template provided in Appendix 5 to the Expression of Interest);	
1.8.	Ability to communicate in Greek and English;	
1.9.	The Expression of Interest addresses all the items set out in the Project Description (Appendix 2 to Annex 1);	
1.10.	The Expression of Interest addresses all the items of the Financial Instrument, including any special conditions, set out in the relevant parts of the Financial Instrument description (Part I of Annex 2);	

2.	QUALITY ASSESSMENT CRITERIA	WEIGHTING
2.1.	<p>Project Relevance, Quality and Coherence</p> <p>2.1.1. Evaluation of the Fund focus and proposed investment strategy, including viability of Fund's size;</p> <p>2.1.2. Evaluation of the Fund Manager team profile, stability and ability to implement the Financial Instrument.</p> <p>2.1.3. Assessment of operational, financial, technical and VC competences;</p> <p>2.1.4. Track record of the Fund Manager team;</p> <p>2.1.5. Capability as members of boards and/or committees of an investment and/or advisory nature;</p> <p>2.1.6. Evaluation of Applicant's investment processes, including dealflow generation, ability to invest, ability to add value to companies and exit strategy;</p>	40
2.2.	<p>Project Maturity</p> <p>2.2.1. Demonstration of ability to raise at least 30% or at least 50% (as stipulated in Part II of current ANNEX) of the Fund from Private Investors at the earliest possible date within an estimated 6 months period from the date when the selection of a Fund Manager is completed;</p> <p>2.2.2. Commitment from the Fund Manager or its management team members to invest into the Fund, and size of such investment;</p> <p>2.2.3. Demonstration of ability to source deals in Greece (SMEs) and to deploy funding in a timely manner;</p>	30
2.3.	<p>Institutional Capacity & Sustainability</p> <p>2.3.1. Fund Manager organisation, structure and long-term viability;</p> <p>2.3.2. Assessment of the corporate governance in place;</p> <p>2.3.3. Assessment of legal structures and independence;</p> <p>2.3.4. Terms and Conditions, including management fee and profit share arrangements;</p> <p>2.3.5. Assessment of the alignment of interests between the Fund Manager and the Investors;</p> <p>2.3.6. Assessment of Reporting and Control Procedures.</p>	30

