

**NEW GROWTH ENGINE INVESTMENT FUNDS**  
**CALL FOR PROPOSALS**  
by  
**Korea Institute for Advancement of Technology**

*This Call for Proposals does not constitute a commitment by Korea Institute for Advancement of Technology (hereinafter, KIAT) to provide any financial assistance described therein. Any such financial assistance will be contingent upon approval by the management and the Selection Committee of KIAT, satisfactory due diligence, prevailing market conditions and the execution of documentation in form and substance satisfactory to KIAT.*

**A. INTRODUCTION**

1. The KIAT calls for proposals (hereinafter, CfP) from private equity fund and fund managers of limited partnerships to invest in the emerging industry for which the Korean government has announced plans to promote development of 17 environmentally friendly and cutting-edge technologies, which are shown in the following section, to lead the nation's economic growth for the next 10 years. To carry this out, the new growth engine investment fund will be formed, and the KIAT will be in a unique position to play a significant role in catalyzing greater investment into the emerging industry in Korea.

**B. CALL FOR PROPOSALS**

2. The KIAT is inviting proposals from qualified private sector fund managers for the formation and management of the new growth engine investment fund. The KIAT intends to consider providing up to 40 billion won in limited partner interests or their equivalent, of which financing will represent up to 20 percent of the total capitalization of a given fund. The KIAT will finance up to two funds this year and reserves the sole right to determine the number of funds. The balance of each selected fund's capital is to be raised from other sponsors and private sector investors.

**C. INVESTMENT STRATEGY AND TARGET SEGMENT**

3. The fund may invest in the following target segments, and the minimum 50% of the aggregate capital commitments of all investors shall be invested in the target segment.

Fund Type	Investment Areas
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<b>Green Growth Fund</b>	Alternative energy, Low-emission energy, LED applications, Green transportation systems, etc.
<b>High-Tech Convergence Fund</b>	IT convergence, Broadcasting/Telecom convergence, Robotics, Materials/Nanotechnology convergence, Biotechnology medicine and Medical devices, etc.
<b>Knowledge-based Service Fund*</b>	Contents and Software **, etc.

\* "Knowledge-based Service Fund" will be evaluated with "High-Tech Convergence Fund" in the proposal review.

\*\* Contents and software may be considered a subset of the "High-Tech Convergence Fund" at the discretion of the fund manager.

4. The fund may also invest in the specific area(s) of the aforementioned target segments, and the list may be expanded, if necessary, to include funds targeting more specific sectors such as those listed below:

- (i) Green (energy-efficient) transportation systems
- (ii) Robotics and Applications
- (iii) Biotechnology medicine and Medical devices
- (iv) New industrial materials and nano-technology
- (v) Applications of light-emitting diodes (LED)
- (vi) Digital contents and software

#### **D. GUIDELINES FOR PARTICIPATING FUNDS**

KIAT's Capital Commitment	KIAT's maximum total capital commitment cannot exceed 20% of the aggregate capital commitments of all investors.
Fund manager's Capital Commitment	Fund manager's minimum total capital commitment must be 1% (or more) of the aggregate capital commitments of all investors.
Size of the Fund	The minimum aggregate capital commitment should be more than KRW 100 billion by the end of the final closing. (Multiple closings are permitted. The first closing can be the greater of KRW 70 billion or fifty percent (50%) of the total capital commitment.)
Mandatory Investment Ratio	The minimum 50% of the total fund must be invested in "New Growth" sectors as designated by the Korean Government prior to end of investment period. Any surplus capital commitment is not subject to this requirement.
Allocation of	Each investor will basically account for losses equal to all capital contributions made by each investor.

Losses	
Term	<p>The term of the fund will be 8 years until dissolution, and the winding up of the fund before dissolution is possible following special resolution by all investors. This will generally refer to a 2-year extension.</p> <p>Different terms and conditions are also feasible, subject to consent of the KIAT.</p>
Draw Dawn	<p>Capital commitments shall be drawn down as close as possible to the time such funds are required. (Capital Call is also known as a draw down)</p>
Management Fee	<p>During the investment period (commitment period), the fund shall pay the fund manager an annual Management Fee, payable quarterly in advance, equal to the maximum 2.5% of the aggregate capital commitments of the investors.</p> <p>Following the expiration of the investment period until the end of the term of the fund, the calculation of the Management Fee shall be one of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 2.5% of invested amount (quarterly average balance)</li> <li><input type="checkbox"/> An incremental decrease in the fee rate over the life of the fund</li> </ul> <p>* Investment Period (commitment period)</p> <ul style="list-style-type: none"> <li>- 4 years (for an 8-year term)</li> <li>- 5 years (for a 10-year term)</li> </ul> <p>The KIAT reserves the sole right to open other options related to the management fee.</p>
Distributions	<p>Each investor will basically receive an amount equal to all capital contributions made by each investor. The minimum 5% of the Hurdle Rate (IRR) shall be applied, while 20% of the amount in excess of the hurdle rate will be provided to the fund manager as Carried Interest.</p>
Trustee Bank	<p>The KIAT will designate Trustee Banks for the funds, and all transactions will be executed via written request to trustee banks only.</p>
Key Man Clause	<p>The designated Key man (men) are prohibited from making any further new investments or raising a new fund until 70% of the total fund has been invested in. This clause is not applicable when the 2/3 of all investors agrees.</p>
Geographic Focus	<p>A minimum requirement of 80% of the total fund must be invested in Korean companies (this includes foreign companies registered in Korea, joint venture companies, and overseas based Korean companies).</p> <p>* This requirement will be lowered to 60%, if at least 30% of the total fund amount is derived from foreign investors.</p>
Going-concern Provision	<p>All portfolio companies of the fund must satisfy sustainable operation requirements specified in Article 9 of the Industry Development Act.</p>
Other	<p>Details are to be bilaterally discussed between selected candidates and the KIAT.</p>

#### E. ELIGIBLE CANDIDATES (ENTITY TYPE)

<b>Eligible Entity Type</b>	<b>PEF(Private Equity Fund) Corporation</b>	Vehicle: PEF corporation as defined by Article 268 of the Capital Market and Financial Investment Business Act
	<b>New Technology Limited Partnership</b>	Vehicle: New Technology L.P. as defined by Article 41 Clause 3 of the Credit Specialized Financial Business Act
	<b>Venture Limited Partnership</b>	Vehicle: Venture L.P. as defined by Article 20 of the Support for Small and Medium Enterprise Establishment Act

\* The above list is not exhaustive, and may be expanded at the discretion of the KIAT.

## **F. SELECTION PROCESS**

5. The selection process under this CfP will be as follows:

- (i) Proposal Evaluation (First Review): The KIAT will evaluate each proposal to determine if it was submitted in accordance with the requirements set forth in this CfP. All non-qualifying proposals (not subject to a waiver for cure of minor information deficiencies) will be rejected at this time. The short-listed candidates will be notified and will be expected to be available for on-site due diligence visits by the KIAT.
- (ii) Selection of Finalists (Second Review): The short-listed candidates will be invited to a due diligence interview (presentation style) with the selection committee. The selection committee will decide upon the finalists for further consideration.

## **G. PREFERENCE AND EXCLUSION CRITERIA**

6. In assessing proposals, the KIAT will consider, among other things, the following criteria with respect to each proposal.

- (i) Fund managers with written commitments (LOI, LOC) from other potential investors, prior to proposal submission deadline.
- (ii) Fund managers with a high percentage of foreign investor participation, and the written commitment is required.

- (iii) Fund managers with high capital contribution.
- (iv) Candidates looking into raising a fund on one of the following 6 focus areas.
  - a. Green (energy-efficient) transportation systems
  - b. Robotics and Applications
  - c. Biotechnology medicine and Medical devices
  - d. New industrial materials and nano-technology
  - e. Applications of light-emitting diodes (LED)
  - f. Digital contents and software

7. Applicants may be excluded from candidacy if:

- (i) Fund managers cannot be considered a trustworthy manager due to a history of blatant violations of laws and regulations.
- (ii) Fund managers are deemed to be presently in violation of laws and regulations or are deemed to be affected by moral hazard.
- (iii) Fund manager's independency (in the deal sourcing and decision making process) is deemed compromised (e.g. influence by major shareholder, etc.)

8. Successful candidates may be subject to cancelation in the event that:

- (i) Fund managers fail to close the minimum agreed (with the Selection Committee) fund size.
- (ii) Fund managers fail to observe the conditions set out by the Selection Committee.
- (iii) Facts in fund manager's applications are found to have been falsified or intentionally misleading.
- (iv) Fund managers are found to be directly or indirectly in violation of any laws or has failed to take corrective action,

- (v) Any incident/finding prior to closing significantly impacts the operation of the fund. (including moral hazards of key fund managers as well as presidents of fund-managing companies)

## H. OUTLINE TIME TABLE

9. The KIAT reserves the right at any time to alter the timetable. The KIAT may also in its sole discretion suspend the process for a period and if appropriate re-open it. The likely timetable will be:

Timing	Step in process	Remarks
Feb. 4 2010	Call for Proposal issued	KIAT website www.kiat.or.kr
Mar. 5 2010	Deadline for submission of proposals from prospective groups	5PM
Mar. 2010	Proposal Evaluation→On-site Due-Diligence→ →Interview→Final selection	Notification of short-listed candidates
Aug. 2010	Fund closing deadline	Within 5 months after final selection

Note: any step in the timetable is subject to change at the discretion of the KIAT

## I. PROPOSAL SUBMISSION

10. Deadline for Proposals. Proposals must be submitted by 17:00, 5<sup>th</sup> March 2010.
11. The KIAT reserves the right, in its sole discretion: (1) not to consider any proposal submitted after the deadline, and (2) to extend the deadline.
12. Briefing Session or Explanatory Meeting. For more information, please take part in the briefing session on 15:00, 10<sup>th</sup> February 2010. The location will be as follow:  
COEX, Samsung-dong, Gangnam-gu, Seoul Korea, 3 Fl. 318C Conference Room.
13. Rejection of Proposals. Please note that any falsified/fabricated/misleading information in the application form will result in the candidate being excluded from the selection process. Cancellation will result if such inaccuracies are discovered after the selection process.

14. How to Submit a Proposal. To submit a proposal, send 20 printed copies of the full proposal (Bookbinding (Korean) is preferred), and one (1) electronic copy of all files on a CD or DVD to:

- KIAT, Technology Investment & Commercialization Team:  
Korea Technology Trade Center Center (5<sup>th</sup> Fl.)  
Yeoksam-dong, Gangnam-gu, Seoul, Korea
- Contact Point: Tel: + (82)-2-6009-4347, E-mail: felix3254@kiat.or.kr

KOTRA can assist foreign fund managers to submit their proposal in Korean. Foreign fund managers may also present their proposal in English; however they will be liable for the translation fees incurred. Please contact the following address for any submission related issues:

- KOTRA, Investment Partnership Support Team:  
Heolleungno, Seocho-gu, Seoul, Korea
- Contact point: Tel + (82)-2-3460-7587/7535  
E-mail: dcchoi@kotra.or.kr / namhw417@kotra.or.kr

15. Incurring Costs. KIAT will not be liable for any costs incurred by applicants in connection with the submission of their proposals.

16. Supplementing Proposals. Proposals submitted may be supplemented at any time up until the deadline for submission of proposals.

**2010. 02. 04**

**Korea Institute for Advancement of Technology**