

## Request for Proposal for a Foreign VC Investment Fund Commitment

### Overview

This Request of Proposal (the “RFP”) is to find those who are interested in seeking investment from Foreign VC Investment Fund (the “FVCIF”).

FVCIF is established by Korea Venture Investment Corp. (the “KVIC”) with governmental mandate from Ministry of SMEs and Startups to invest in offshore VC funds which can help Korean Companies to grow, and especially expand their businesses abroad.

Additionally, FVCIF is looking for opportunities of making inter-country (or region) cooperation fund (the “ICCF”) aiming to promote mutual exchange of capital and trade between the countries or regions.

FVCIF invests in VC funds with good quality investment teams with attractive and viable proposals, which show the best overall value for money in achieving the FVCIF’s objectives.

This RFP is effective from the date of publication and will expire at the end of year 2019 or at the date when the budget for this RFP is exhausted.

If interested, submit proposal with all materials attached to this RFP.

(Point of Contact:

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### **The funds must meet the following criteria:**

- Investing all the amount of Fund’s investment in Korean Companies.
  - In case of ICCF, the fund must invest in Korean Companies at least x1 of the amount that FVCIF commits to the fund.
- Non-Korean investment committed more than half of the FVCIF commitment.
  - In case of ICCF, government itself or governmental institution of counterpart country must commit more than half of the FVCIF commitment. (From Korea, KVIC commits to the fund as a governmental investment institution)
- At least two fund managers who have more than two years of relevant experience such as experiences at venture capital firms, accelerators or private equity firms must participate in investment team. And the managers are expected to be capable of investing in Korean Companies and supporting them to grow globally.

**In addition, FVCIF investment will:**

- Not be more than 40% of the total fund size.
- Not set its maximum fund size but FVCIF can adjust or reduce its commitment size at its own discretion regardless of the size requested in the proposal.
- Only invest in offshore VC fund which is not established under the relevant Korean Law such as “Support for Small and Medium Enterprise Establishment Act” or “Special Measures for the Promotion of Venture Business”

**Fund Selection Process**

FVCIF’s fund selection process normally takes 1 month after receipt of application.

**Submission and Acceptance of Application**

General Partner (“GP”) of the fund is expected to provide application forms attached on KVIC’s website. (<https://www.k-vic.co.kr/eng/board.do?boardConfigNo=110&menuNo=564>)

The application forms shall be made in digital files and delivered via e-mail.

**Due Diligence**

Following acceptance of the application, KVIC will undertake due diligence on the proposal. In addition to a review of the materials prepared by the GP of the fund, it is also likely that KVIC’s team will visit the GP at its office, undertake background and reference checks on the investment team, verify the team’s track record and relevant legal documentation.

**Investment Committee and Final Approval**

Based on the proposal, due diligence undertaken, KVIC investment team will make a recommendation to the FVCIF’s Investment Committee which will formally approve the terms of FVCIF’s investment. Managers from GP will be invited to the Investment Committee to present the fund’s proposal at KVIC’s headquarters in Korea.

The GP will be given the notice of (dis)approval of commitment within 1 week after the date on which Investment Committee is held.

**FVCIF’s Budget and Detailed Information for Applicants**

FVCIF’s Budget for this RFP	Approximately KRW 100Bil. (Approximately equivalent to USD 90Mil.)
Sectors and Stage	<ul style="list-style-type: none"><li>- The Funds’ sector and stage can vary according to fund’s strategy</li><li>- However the funds shall be suitable for aligning with Korean government policy, promoting overseas expansion of Korean Companies and creating global venture ecosystem in Korea</li></ul>

<p>Legitimate GP Entity</p>	<p>GP of the fund must be either Foreign VC firm or Foreign VC firm partnering with Korean VC firm<sup>1</sup></p> <p>* Korean VC firm without partnership with foreign VC firm is not eligible</p> <p>* Foreign VC firm partnering with Korean VC firm means; both parties must (i)commit certain portion to the GP Company or the fund and (ii)have Co-GP structure in decision making of the fund(for example, Investment Committee shall consist of fund managers from both parties)</p>
<p>Expiration Date of FVCIF's Commitment</p>	<ul style="list-style-type: none"> <li>- Selected fund will be given 6 months of closing including FVCIF's subscription from the date of approval. FVCIF can revoke its commitment at its own discretion without any penalty or responsibility if the fund is not properly closed within 6 months.</li> <li>- However, the GP can ask FVCIF to extend expiration date up to 3 months from the date when the first given period expires. Extension of the expiration date will be applied only under unavoidable circumstances with KVIC's written approval before initial period is expired.</li> </ul>

**Terms and Conditions for FVCIF's commitment**

<p>Contribution Method</p>	<p>Capital call, draw-down, or lump sum</p>
<p>Term of Partnership</p>	<p>About ten(10) years (Investment period: About five(5) years from either initial closing date or final closing date)</p> <p>* If the term of partnership or investment period is different from the above, GP needs to discuss with KVIC</p>
<p>Management Fee / Hurdle Rate (IRR) / Carried Interest</p>	<ul style="list-style-type: none"> <li>- Can be discussed with KVIC to get aligned with Venture Capital Market Standard of Applicant(s)' region.</li> <li>- The same conditions will be applied to FVCIF as those of the other Limited Partners, including foreign investors.</li> </ul>
<p>Call Option (Incentive for GP)</p>	<ul style="list-style-type: none"> <li>- FVCIF will give GP option to buy FVCIF's share up to 20% of total FVCIF's contribution in the fund with conditions below             <ol style="list-style-type: none"> <li>1) Strike price for option : Sum of each contributed Principal plus interest at an annual rate equal to 5% from the date of FVCIF's each contribution until the date the option is exercised</li> </ol> <ul style="list-style-type: none"> <li>- <math>\sum \{ \text{principal}_t * \text{ratio of exercised option} * (1 + 5\%)^{e-t} \}</math></li> <li>* e : exercised date, t : date of each contribution</li> </ul> </li> </ul>

<sup>1</sup> Korean VC firm refers to the entity established under relevant Korean laws, such as 'Small and Medium Business Start-up Investment Company', 'LLC' under Commercial Act, and 'New Technology Venture Capital Business', that can manage a partnership or company in accordance with Act on Special Measures for the Promotion of Venture Business

	<p>2) Expiration date of the option : The 5<sup>th</sup> anniversary of the final closing date of the fund</p> <ul style="list-style-type: none"> <li>- Call Option is not granted to ICCF</li> </ul>
<p>MISC.</p>	<ul style="list-style-type: none"> <li>- Obligation to offer information regarding the Fund management (eg. Korean Companies Portfolio list, LP list) to KVIC on a regular basis (eg. Monthly, quarterly)</li> <li>- Any requests for commitments under different terms and conditions stated in this Announcement must be discussed in advance</li> <li>- Detailed terms and conditions of commitment will be discussed further upon the approval of commitment</li> </ul>

### **Suspension, Revocation, and Restrictions on Fund Selection of FVCIF**

#### **1. Suspension**

- KVIC has the right to determine to hold the investment decision process for re-evaluation at its sole discretion, if significant changes regarding the fund's management emerge or are expected to emerge.

#### **2. Revocation**

- KVIC may revoke the investment decision under any of the following circumstances:
  - ✓ If the fund fails to raise capital to meet the minimum fund size set by the Investment Committee.
  - ✓ If the GP fails to comply with the commitment bindings set within this Proposal or by the Investment Committee.
  - ✓ If there is significant false statement or concealment in the PPM(including related materials) or in the presentation at KVIC's Investment Committee
  - ✓ If the following circumstances happen after the investment decision;
    - More than half of key investment members are changed
    - Any events or changes that can significantly affect the Fund's management

#### **3. Restrictions**

- If the GP fails to complete the closing of the fund even after an extension of effective date of FVCIF's commitment, the GP is restricted from receiving commitments at least once within a year from the deferred effective date and cancelation of approval of commitment from FVCIF. If GP consist of multiple entities, then different restrictions may be applied depending on the cause.

### **Contacts for Application and Inquiries**

#### **- Point of Contact**

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