



**GOVERNMENT OF THE REPUBLIC OF
CROATIA
MINISTRY OF THE ECONOMY,
LABOUR AND ENTREPRENEURSHIP
10000 Zagreb, Ulica grada Vukovara 78**

Zagreb, 23 February 2010

Pursuant to the Decision of the Government of the Republic of Croatia, with a view to promote the economy development, to preserve the existing jobs and create new ones, to strengthen the existing economic entities and launch new ones through property restructuring by investment of additional capital, the Ministry of the Economy, Labour and Entrepreneurship hereafter

A N N O U N C E S

P U B L I C I N V I T A T I O N

FOR PARTICIPATION IN ESTABLISHING ECONOMIC COOPERATION FUNDS (ECFs)

I

The subject of this Public Invitation is Private Investors' participation in establishing Economic Cooperation Funds pursuant to the Decision of the Government of the Republic of Croatia on the intention to participate in establishing Economic Cooperation Funds (Official Gazette 8/10) and the Rule Book on conditions and participation procedure of the Government of the Republic of Croatia in establishing economic cooperation funds (Official Gazette 21/10).

II

PERSONS TO WHOM THE PUBLIC INVITATION IS ADDRESSED:

Addressees of this Invitation are all natural and legal persons interested in participation in establishing economic cooperation funds and believe they could qualify themselves as Private Investors.

Private Investors are considered persons that meet the conditions for a Qualified Investor in venture capital funds pursuant to the Investment Funds Act (OG 150/05):

(Qualified Investors in venture capital funds: investors that based of a valid authorization are doing business as an investment or pension fund, as a company for investment or pension fund management, as a bank or an insurance company or a brokers company as well as all other business enterprises or natural persons having the property net value of more than HRK 20,000,000.00 and disposing with cash money amounting to at least HRK 10,000,000.00 for the needs of investment into certain investment fund.)

III

SUBJECT OF THE INVITATION

The subjects of the establishing are Economic Cooperation Funds.

Economic Cooperation Funds are being established and doing business pursuant to the Investment Funds Act as the open venture capital investment funds with private offer.

IV

CONDITIONS OF THE PARTICIPATION OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA

The Government of the Republic of Croatia will participate in the establishing of an individual ECF under the following conditions:

- The Government of the Republic of Croatia shall participate in the establishing of an individual ECF through a Qualified Investor appointed by a special decision;
- The Government of the Republic of Croatia shall invest in each Economic Cooperation Fund an amount corresponding to the amount that will be invested in such a fund by a Private Investor;
- Total amount of the assets with which the Government of the Republic of Croatia will participate in the establishing of ECFs will amount at the most up to HRK 1,000,000.00;
- For the establishing of an ECF Private Investors have to assume jointly the liability to pay at least HRK 75,000,000.00;
- Maximal liability of the Government of the Republic of Croatia to pay into an ECF may amount to HRK 300,000,000.00;
- Economic Cooperation Funds have to be managed by a company for management of open venture capital investment funds with private offer that has an authorization by HANFA (Croatian Agency for Financial Services Surveillance);
- One management company may manage only one Economic Cooperation Fund;
- ECFs shall be established for a determined period of ten years with the possibility of prolongation for an additional term of two years at the most;
- Economic cooperation funds have to invest exclusively in companies having a seat in the Republic of Croatia and performing their activity exclusively or mainly in the territory of the Republic of Croatia;
- Economic Cooperation Funds have to have a deposit money bank;
- The annual fee for the management of the ECFs may not be higher than 2.0% of total volume of the an Economic Cooperation Fund;
- Compensation for success to a management company is 20% of total profit,
- Preferential rate of return to investors is 8% annually;
- Economic Cooperation Fund has to have a Fiduciary Committee with at least the following authorities:
 - o Confirming the decision on the selection of the auditor for the ECF's business operations;
 - o Adopting financial reports on the ECF's business operations;
 - o Taking decision on cancellation of management contract to the management company in accordance with the provisions of the ECF's Statute;
 - o Taking decisions on liquidation of the Economic Cooperation Fund;
 - o Giving binding opinion to the proposal of the decision on property investment and disposition;
 - o Giving prior consent for the Amendments to the ECF's Statute and Prospectus;
 - o Giving prior consent for the accession of new investors to the Economic Cooperation Fund.
- Decisions of the Fiduciary Committee shall be taken by a majority of 3/4 votes given by investors, in which case the number of the investors' votes corresponds to the ratio of maximal liability to pay by an individual investor;
- Annual obligation of the Government of the Republic of Croatia toward an individual Economic Cooperation Fund shall not exceed 1/5 of the amount of totally assumed liability to pay in an individual Economic Cooperation Fund. The said liability may be increased by a decision of the Fiduciary Committee;
- In case of the accession of a new Private Investor in an already existing Economic Cooperation Fund the Government of the Republic of Croatia shall increase liability to pay for an amount equal to the amount to which the new Private Investor obliges to pay, in accordance with the above-mentioned limitations;

- The Government of the Republic of Croatia may condition its investment by non-participation of a certain Private Investor whose participation affects or could affect the reputation of the Republic of Croatia or of an individual Economic Cooperation Fund;

V

DURATION OF INVITATION:

This Public Invitation for participation in establishing Economic Cooperation Funds shall be in force until 31 December 2010 or until the exhaustion of maximal amount of the participation of the Government of the Republic of Croatia of HRK 1 billion, depending on which of these circumstances occurs earlier.

The Ministry of the Economy, Labour and Entrepreneurship shall notify the public and interested persons of the exhaustion of the maximal amount of the participation of the Government of the Republic of Croatia on the web site of the Ministry www.mingorp.hr.

VI

PRELIMINARY PROCEDURE

All natural and legal persons interested in participation in the ECFs establishing may declare their interest to the Ministry of the Economy, Labour and Entrepreneurship.

The Interest Application shall be submitted personally or through a representative to the Registry Office of the Ministry of the Economy, Labour and Entrepreneurship, at the address Ulica grada Vukovara 78, 10000 Zagreb, room 051.

Upon the registration of the Interest Application by the Ministry of the Economy, Labour and Entrepreneurship the interested person shall be delivered the following documentation:

- Information about regulatory framework of the venture capital funds in the Republic of Croatia;
- Instructions for establishing management companies and venture capital funds in the Republic of Croatia;
- Non-binding sample of draft Statute and Prospectus of the Economic Cooperation Fund.

(Documentation to be submitted is harmonized with the best practice of the Croatian Private Equity and Venture Capital Association and has its recommendation.)

VII

INCORPORATION PROCEDURE

Private Investors may but do not have to participate in preliminary procedure; therefore the preliminary procedure is not a condition for participating in the incorporation procedure.

Private Investors while submitting an Application for the assumption of liability to pay in an individual ECF by the Government of the Republic of Croatia have to preliminary meet the following conditions:

- Private Investors have to select a management company that will manage their investment;
- Private Investors have to agree with the draft Prospectus and Statute;
- Management company that will be selected by Private Investors on the basis of the draft Prospectus and Statute they have agreed with must obtain a decision of HANFA on approval of the Statute and Prospectus of an individual Economic Cooperation Fund;

Application for assumption of liability to pay in an individual Economic Cooperation Fund by the Government of the Republic of Croatia shall be submitted by the management company selected by Private Investors.

The Application shall be submitted personally or through a representative to the Registry Office of the Ministry of the Economy, Labour and Entrepreneurship, at the address 10000 Zagreb, Ulica grada Vukovara 78, room 051, with mandatory enclosure of the following documents:

- Written statement by Private Investors with signature certified by a public notary that they have authorized a certain management company for the submission of the Application;
- Written statement by private investors with signatures certified by a public notary by which is determined their maximal liability to pay in an individual Economic Cooperation Fund;
- Statute and Prospectus of an individual Economic Cooperation Fund together with the decision of HANFA on the Statute's and Prospectus' approval.

Applications shall be received by personal delivery to the Registry Office of the Ministry of the Economy, Labour and Entrepreneurship. Incomplete applications shall not be taken into consideration.

Applications shall be considered and funds allocated according to the sequence of their receiving in the Registry Office of the Ministry of the Economy, Labour and Entrepreneurship.

The Ministry of the Economy, Labour and Entrepreneurship within five working days upon the receipt of the Application is liable to establish whether the submitted Statute and Prospectus of an individual Economic Cooperation Fund corresponds to the conditions of the participation of the Government of the Republic of Croatia in the establishing economic cooperation funds.

Having established the compliance of the mentioned conditions, it will issue certificate of conformity and inform thereof the Qualified Investor.

The Qualified Investor is liable, upon the issuing of the certificate of conformity by the Ministry of the Economy, Labour and Entrepreneurship, within five working days upon the certificate of conformity's issuing, to declare and sign all the necessary documentation by which assumes liability to pay in an individual Economic Cooperation Fund and all other documentation and declarations necessary for the establishing an individual Economic Cooperation Fund.

In case the submitted Statute and Prospectus of an individual Economic Cooperation Fund does not correspond to the conditions of the participation of the Government of the Republic of Croatia, the Ministry of the Economy, Labour and Entrepreneurship is liable, within five working days upon the receipt of the Application, to notify the management company thereof.

In case the Ministry of the Economy, Labour and Entrepreneurship establishes that the participation of an individual Private Investor affects or could affect the reputation of the Republic of Croatia it is liable, within three working days upon the receipt of the Application, to notify the management company in a written form that the participation of the Government of the Republic of Croatia is conditioned by non-participation of such a Private Investor. In the mentioned case the management company is liable, within three working days upon the receipt of the notification, to notify the Ministry of the Economy, Labour and Entrepreneurship whether the disputable Private Investor withdraws from the investment in which case the Ministry of the Economy, Labour and Entrepreneurship in the following period of three working days upon the receipt of such notification shall issue a written certificate of conformity and inform thereof the Qualified Investor. In case that the management company does not notify the Ministry of the Economy, Labour and Entrepreneurship about the withdrawal of the disputable Private Investor within five working days upon the receipt of the notification or notifies that the disputable Private Investor does not withdraw from the investment it will be considered that the management company has not submitted the Application at all.

The Ministry of the Economy, Labour and Entrepreneurship shall inform all the interested persons about receiving of each Application for assumption of liability to pay in the Economic Cooperation Fund. Having received the Application by which the maximal amount of the participation of the Government of the Republic of Croatia is exhausted, the Ministry of the Economy, Labour and Entrepreneurship shall inform thereof each interested person from the article. The said information shall be given on the web site of the Ministry of the Economy, Labour and Entrepreneurship www.mingorp.hr.

Additional information available on Info-phone: 0800 234 505

The Ministry of the Economy, Labour and Entrepreneurship reserves the right to change this Invitation.