



Call for Expression of Interest No. JER-009/7 to select Financial Intermediaries that will receive resources from the JEREMIE Holding Fund for Bulgaria to implement the following Financial Instrument: Co-Investment Fund(s)

Reference number: Call for EoI No. JER-009/7

The aforementioned Call stipulated that: "Requests for clarifications from Applicants shall not receive individual replies. Instead, answers to all requests for clarifications received within the relevant deadline will be published together in a clarification document to be posted on the website www.eif.org, at latest on 23 August 2013".

In accordance with this provision, we hereby present such a clarification document.

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. Questions may appear as they have been received without any editing from EIF; they also appear in a random order.

Question 1	The Call states that the Co-Investment Fund can undertake equity or quasi-equity investments. Is this an "either/or" approach i.e. as part of the investment strategy and approach, can the Fund choose to make both equity and quasi-equity investments? If yes, can the Fund make both equity and quasi-equity in the same investee company (always subject to the same pari-passu rules as indicated by the Call)?
Answer 1	The possibility to undertake both equity and quasi-equity investments imply that both can be implemented for the same company if the Fund Manager(s) so considers, of course, respecting the pari-passu principle.
Question 2	The Call states that the Co-Investment Fund and the Private Investors should invest on pari-passu terms. Can that be interpreted as "pari-passu or better" for the Co-Investment Fund, in the event that the Fund Manager can negotiate better terms for the Co-Investment Fund? For example, would it then be possible for the Co-Investment Fund to make a mezzanine investment for example, while the Private Investor makes an equity investment or a straight secured loan, provided the terms of the mezzanine investment are better than the investment terms of the Private Investor?
Answer 2	Interpretation as "pari-passu or better" is not correct, as according to the Call pari-passu requires sharing exactly the same upside and downside risks and rewards and holding the same level of subordination, and exiting from the eligible beneficiary on the same terms and at the same time.
Question 3	Under the Management section of the Project Description, the Call asks for references in the context of each transaction. Due to time constraints and summer holidays it may be difficult to obtain written letters of reference prior to the deadline. Therefore, would contact information be considered sufficient for the time being, provided that written reference can be submitted at a later stage?
Answer 3	Contact information would be considered sufficient at this stage.

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Question 4	Under the Management section of the Project Description, the Call asks for the “Credentials of efficient management for the whole of the life-span of the Co-Investment Fund”. Could you further clarify what this means?
Answer 4	There is no single correct approach to provide credentials of efficient management throughout the fund’s lifecycle as it may vary between a first time and an established team. In essence however, the team should be able to evidence its built-in capacity to operate the fund throughout its entire lifecycle in Bulgaria in an efficient way according to industry’s best standards. Such credentials might include, but not only, team’s previous and future commitment to the target geography, alignment of interests of team members, team coherence and stability, previous track record, including relationships with LPs and etc.
Question 5	What is the EIF’s definition of ‘quasi-equity’ and ‘early stage’, as discussed in Annex 2, Part I, “Type of investments” to the Call for EoI No. JER-009/7?
Answer 5	There is no specific EIF definition on “quasi-equity” and “early stage”. Those terms should be interpreted in line with industry standards. Please refer to the glossary of the European Venture Capital Association for more information - http://www.evca.eu/knowledgecenter/glossary.aspx?id=982
Question 6	For the AML / KYC compliance, could the procedures be outsourced either to a related or third party?
Answer 6	The procedures and controls implemented to address AML / KYC compliance as well as the exact way the latter are to be undertaken is a decision and responsibility of the applicant. However, EIF may, at its discretion, require specific advisory structures to address compliance risk assessment, in particular, to address controls on AML/KYC issues or, more generally, the integrity assessment related to co-investors, in particular, Private Investors.
Question 7	What would be considered proof of “Credentials of efficient management for the whole of the life-span of the Co-Investment Fund”, as discussed under Appendix 2 to ANNEX 1 to the Call for EoI No. JER-009/7, taking into consideration that relevant team member CVs and track record would be disclosed under other sections?
Answer 7	Please refer to Question 4.
Question 8	What level of disclosure depth for the descriptions of existing pipeline of investment opportunities, private co-investors and partners/co-operation is expected?
Answer 8	The level of detail for each section of the application is left at the discretion of the applicant but it should sufficiently support the information provided on the respective matter which will be assessed under the selection criteria. As mentioned in the Call full confidentiality over the information provided by the applicants to the EIF is guaranteed.
Question 9	What level of depth is expected in the budget forecast presentation?
Answer 9	The level of detail for each section of the application is left at the discretion of the applicant but it should sufficiently support the information provided on the respective matter which will be assessed under the selection criteria. As mentioned in the Call full confidentiality over the information provided by the applicants to the EIF is guaranteed.
Question 10	What costs are eligible to be expensed to the Co-Investment Fund?
Answer 10	The management fees together with any other costs charged to the Co-Investment Fund(s) shall be deemed to include any fees, expenses and costs necessary to set up and manage the Financial Instrument, including transaction costs that may be borne by the Financial Instrument.
Question 11	What level of depth is expected in the corporate governance and of the legal structure presentation? Would an outline of the envisaged structures and

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	responsibilities be sufficient at this stage?
Answer 11	An outline of the Fund structure and responsibilities should be sufficient at this stage of the process.
Question 12	Please provide a more detailed Applicant valuation matrix with respective weight for each quality assessment criterion.
Answer 12	The quality assessment criteria weights are already provided in the Call.
Question 13	In case the Applicant attracts additional shareholders in the Fund Manager, please clarify who will be supposed to make own investment in the fund - whether this is the Applicant (in accordance with criterion 2.2.1. on page 27 of the Call for Expression of Interest), or the Fund Manager.
Answer 13	The form and size of the team's own contribution in the Co-Investment Fund is left at the discretion of the applicant.
Question 14	Please confirm that the Applicant's/ Fund Manager's own investment in the fund shall represent capital committed rather than registered and paid-in capital.
Answer 14	That is correct, the Fund Manager's own investment, exactly like JHF's contribution to the Co-Investment Fund, is committed capital, and will be called pro-rata when making investments.
Question 15	Could the Eligible Beneficiaries (target investment opportunities), which shall be registered in Bulgaria, have projects and/or major operations outside Bulgaria?
Answer 15	This is possible as long as the Eligible Beneficiaries are registered under Commerce Act of Bulgaria and have their main place of business in Bulgaria. The investments made via the Co-Investment Fund should support activities which main impact in Bulgaria.
Question 16	On what basis (what kind of information) will the Applicant's investment process be evaluated with reference to criterion No. 2.1.6. of the Quality Assessment Criteria?
Answer 16	On the basis of the information provided by the applicant.
Question 17	With reference to the last bullet in Appendix 2 to Annex 1 (Project Description/ Terms and Conditions), shall the Applicant provide a detailed description of the legal aspects of a winding-up procedure?
Answer 17	The level of detail for each section of the application is left at the discretion of the applicant.
Question 18	Is EUR 20 million in total secured by JHF?
Answer 18	EUR 20m is the indicative maximum allocation by JHF. However, the indicative capital allocated to the Co-Investment Fund as well as the amounts available for contribution by the JHF to a selected Financial Intermediary, may be changed as necessary, at EIF's sole discretion as stipulated in the Call.
Question 19	In the call for EoI it is noted that, quotation: „Financial Intermediaries may express their interest for a contribution of up to the maximum allocation.“ Could you provide more detailed clarification of that statement? What is the preferable size of min and max contribution expected and would that be an important factor for an applicant?
Answer 19	The size of the Co-Investment Fund for which an applicant applies is left at the latter's discretion and should derive from the investment strategy put forward in the application and knowledge of the market.
Question 20	In the call for EoI it is noted that Jeremie initiative is framework for promotion of access to finance for micro, small and medium---sized enterprises. With regards to this particular call, JHF for Bulgaria, what is the stage of investment selected Fund Manager should focus on? Should the focus be on post-- seed; early---„A tickets“and beyond (i.e. up to 1 million EUR or higher)?
Answer 20	The stage and amount of investments targeted are left at the discretion of the applicant and should be part of the investment strategy put forward.

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Question 21	What is the minimum amount/size of the Fund envisioned for the First Close?
Answer 21	As JHF will be the only investor on the level of the Co-Investment Fund(s), except the team's own commitment, there will be only one closing at the respective total size.
Question 22	When is the First Close expected, in other words, when is the expected for the selected Applicant/Fund Manager to become operational?
Answer 22	As JHF is a limited partner in the Co-Investment Fund, it is at the discretion of the General Partner, i.e. the applicant to decide how soon or not to become operational upon successful nomination.
Question 23	Will the Fund Manager be allowed to co-invest with other existing public funds in Bulgaria, such for Example Eleven and Launchub?
Answer 23	For the purposes of this Co-Investment instrument, "Private Investors" shall be deemed to be any investors which (i) are economically and structurally independent from the Fund Manager, and from any entities and/or individuals connected thereto, (ii) are economically and structurally independent from the eligible beneficiaries where an Investment is made, and from any entities and/or individuals connected thereto, and (iii) 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 the legal nature and ownership structure of such operators). In this context, funding with resources, which are not State resources within the meaning of Article 107.1 of the Treaty of the Functioning of the European Union, is considered to be provided by private investors.
Question 24	Is it expected from the applicant to provide a list of potential other co-investors/private investors (signed letters of intent) to be included in the tender? Would that be considered as important factor (extra points) for an applicant?
Answer 24	The level of detail for each section of the application is left at the discretion of the applicant.
Question 25	Private Investors - Will private investors at all times be required to invest in the beneficiary's entity under Commerce Act of Bulgaria, or are investments in beneficiaries' majority-held foreign entities also allowed?
Answer 25	Use of a holding company (SPV) could be considered on a case-by-case basis subject to an approval of the investors in the Co-Investment Fund.
Question 26	Eligible beneficiaries must be registered under Commerce Act of Bulgaria and have their main place of business in Bulgaria - What are the definition and assessment criteria of 'main place of business in Bulgaria?
Answer 26	The term "main place of business" is used to qualify whether either company's revenues, assets or employee base are predominantly derived from / based in Bulgaria in order to form an eligible beneficiary.
Question 27	SMEs and Eligible Mid-Caps - Apart from the Excluded Sectors and Activities, can the EIF provide a more specific outline of the type of beneficiaries intended; sectors, growth parameters, business model requirements?
Answer 27	The decision over the type of beneficiaries intended is left at the discretion of the applicant and should be part of the investment strategy put forward.
Question 28	Fund Manager - Are consortia scenarios eligible for fund manager application, where one or more consortium members are not Bulgarian financial companies and have no track record in Bulgaria?
Answer 28	Consortiums where one or more members are not Bulgarian financial companies should be eligible as long as they cover the Eligibility Selection criteria (Part II: SELECTION CRITERIA for the Financial Intermediary) in the Co-Investment Call.
Question 29	Demarcation - Please provide a more detailed explanation or precise definition of the conflict scenarios, in terms of beneficiary activities that have already received public funds. Which are these activities and how are public funds defined?

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Answer 29	<p>Funding with State resources, not covered by the meaning of Article 107.1 of the Treaty of the Functioning of the European Union, is considered to be provided by public investors.</p> <p>An investment into an Eligible Beneficiary cannot be used for the same activity which has already been supported by public funds.</p> <p>Investment cannot be made in an Eligible Beneficiary to the extent they are not eligible with respect to the demarcation line between OP "Competitiveness" and other plans and programmes, financed by EU including Demarcation with Bulgarian Rural Development Programme.</p>
Question 30	<p>Declaration of Absence of Conflict of Interest - What constitutes conflict of interest? If a member of the applicant fund manager team has previously advised (pro bono), referred, consulted (paid) a beneficiary company, does this constitute conflict of interest? Also, if a member of the applicant fund manager team has previously been employed by a JEREMIE fund manager under a different call in the same or different country, does this constitute conflict of interest?</p>
Answer 30	<p>Conflict of interest situations should be identified by the Fund Manager and brought to the attention of the Advisory Board of the Fund in order to be discussed and resolved.</p> <p>As regards to the Declaration of Absence of Conflict of Interests – The applicant should be best suited to rule out whether there is a situation of conflict of interests or not. EIF cannot decide whether there is a situation of conflict of interests based on the information provided, nor is intending to do so.</p>
Question 31	<p>Credentials of efficient management for the whole of the life-span of the co-investment fund - What information do such credentials need to contain?</p>
Answer 31	<p>Please refer to Question 4.</p>
Question 32	<p>On page 21, paragraph two (2), does this imply that the Fund Managers need to contribute the same amount of investment as the JHF for each Beneficiary Investment? i.e. if there is a 1M total investment, Private Investors should contribute 50%, the JHF 25%, and the Fund Managers 25%? "The JHF and the Fund Manager(s) will invest in the Coinvestment Fund(s) on pari-passu terms, sharing exactly the same upside and downside risks and rewards and holding the same level of subordination, and exiting from the eligible beneficiary on the same terms and at the same time."</p>
Answer 32	<p>In the case of the 1M investment mentioned by you, the Co-Investment Fund should contribute 50% (formed both by JHF contribution and Fund Manager's contribution of at least 3%) along with private investors contribution of the remaining 50% on pari-passu terms.</p>
Question 33	<p>What are the definition and assessment criteria of 'main place of business in Bulgaria' for beneficiaries?</p>
Answer 33	<p>Please refer to Question 26.</p>
Question 34	<p>Apart from the Excluded Sectors and Activities and SME and MidCap definitions, can EIF provide a more specific outline of the type of beneficiaries intended; sectors, growth parameters, business model requirements?</p>
Answer 34	<p>Please refer to Question 27.</p>
Question 35	<p>Restriction on buyout transactions: does this restriction apply in case a beneficiary company is to issue new shares or quasi-equity to fund its own growth by acquisition/consolidation?</p>
Answer 35	<p>All investments undertaken via the Co-Investment Fund must be in primary new</p>

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	investments and in the form of subscription of new shares, i.e. no buyouts are allowed.
Question 36	Private Investors - Will private investors at all times be required to invest in the beneficiary's entity under Commerce Act of Bulgaria, or are investments in beneficiaries' majority-held foreign entities also allowed?
Answer 36	Please refer to Question 25.
Question 37	Fund Manager - Are there any limits or guidelines for international consortia to apply, specifically regarding the terms on which the consortium is set up?
Answer 37	There are no such limits or guidelines. However please note that according to the Call, the Co-Investment Fund(s) and all related entities, such as general partner, management company, advisor, carried interest vehicle, team members investment vehicles, et similia, shall be incorporated within the European Union. Any cross border element of the structure shall be highlighted and justified.
Question 38	Demarcation - In terms of beneficiary activities that have already received public funds, which are said activities and how are public funds defined?
Answer 38	Please refer to Question 29.
Question 39	<p>Declaration of Absence of Conflict of Interest:</p> <p>a) In general, what constitutes conflict of interest?</p> <p>Answer: Conflict of interest situations should be identified by the Fund Manager and brought to the attention of the Advisory Board of the Fund in order to be discussed and resolved.</p> <p>b) If a member of the applicant fund manager team has previously advised (pro bono), referred, consulted (paid) a beneficiary company, does this constitute conflict of interest?</p> <p>Answer: The applicant should be best suited to rule out whether there is a situation of conflict of interests or not. EIF cannot decide whether there is a situation of conflict of interests based on the information provided, nor is intending to do so.</p> <p>c) If a member of the applicant fund manager team has previously been employed by a JEREMIE fund manager under a different call in the same or different country, does this constitute conflict of interest?</p> <p>Answer: Please refer to Question 39 (b).</p> <p>d) If a member of the JEREMIE fund management consortium has made an early stage investment in an entity (prior to the establishment of the JEREMIE fund), which subsequently becomes a beneficiary company, does that constitute a conflict of interest?</p> <p>Answer: Answer: Please refer to Question 39 (b).</p> <p>e) If an employee of the applicant fund manager is a shareholder in a firm that has been a beneficiary of a previous JEREMIE instrument, does that constitute a conflict of interest?</p> <p>Answer: Answer: Please refer to Question 39 (b).</p>

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Question 40	Credentials of efficient management for the whole of the life-span of the co-investment fund - What information do such credentials need to contain?
Answer 40	Please refer to Question 4.
Question 41	<p>Would it be possible for a Fund Manager to apply for an Investment Adviser (as defined in the CfE) under the envisioned scheme and at the same time to utilize some of the Funds already under management to fulfil the role of a Private Investor (as defined in the CfE)?</p> <p>I.e. the Fund Manager would invest money from a Fund they already manage, stepping into the role of a Private Investor, and investing into Eligible Beneficiaries alongside the JEREMIE Co-investment Facility.</p>
Answer 41	This is possible as long as the Fund, managed by the Fund Manager, in its role as Private Investor, complies with the definition of Private Investors as stipulated in the Call.
Question 42	Do we understand correctly the terms of the CfE, that there would be no asymmetric performance upside in favour of the Private Investors?
Answer 42	Yes, under the current terms there will be no asymmetric performance upside in favour Private Investors, i.e they will rank pari-passu with JHF.
Question 43	<p>a) Will a set of new companies be created for the Manager and for the Fund?</p> <p>Answer: The Fund set-up as well as the corporate structure selected is entirely left at the discretion of applicants.</p> <p>As stipulated in the Call, the Co-Investment Fund(s) and all related entities, such as general partner, management company, advisor, carried interest vehicle, team members investment vehicles, et similia, shall be incorporated within the European Union.</p> <p>b) Under which jurisdiction these companies have to be set-up?</p> <p>Answer: Please refer to Question 43 (a)</p> <p>c) Who would bear the set-up and running administration costs for these entities?</p> <p>Answer: Please refer to section Management Costs of the Fund in the terms found in Annex II of the call.</p>
Question 44	What would be the mechanics of the minimum 3% investment (GP-commit), which the Investment Adviser has to make into the Co-Investment Facility? Would the total amount be wired upfront or it would it be only committed upfront and then called pro-rata upon making the investments into Eligible Beneficiaries?
Answer 44	Please refer to Question 14.
Question 45	Is opening of a Bulgarian office a mandatory condition?
Answer 45	As stipulated in the Call, Appendix II Annex I – Projected Description, the applicant should provide timeline for establishment of team and office in Bulgaria.