

**Annex 3 to the Call for Expression of Interest No JER-004/1
Business Angels Co-Investment Fund Financial Instrument: Description and Selection Criteria**

Part I: Business Angels Co-Investment Fund Financial Instrument Description

Legal background	Investments are made on <i>pari-passu</i> basis with private investors.
Investor	According to Article 44 of the Council Regulation (EC) No 1083/2006 ¹ , and according to the Funding Agreement between the Ministry of Economy and the Ministry of Finance of the Republic of Lithuania and European Investment Fund the established JEREMIE Holding Fund will operate as a public investor in one or several newly-established Business Angels Co-investment Funds (hereinafter – the Funds).
Total amount of funding foreseen	Euro 5.8 million The amount could be changed due to the nature/strategy of the selected proposals
Duration of the investment scheme	Investments in SMEs can be made till 31 December 2015. The Funds created within the scheme will continue to exist until all investments are exited.
Fund manager	Financial Intermediary selected by JHF
Selection of Financial Intermediaries and conditions	European Investment Fund will select the Financial Intermediaries in an open and transparent selection, ensuring equal and fair treatment, in line with the evaluation criteria approved by the SF Monitoring Committee. European Investment Fund will evaluate the Financial Intermediaries' Fund management capability and suitability to undertake the Fund management tasks, as well as evaluate the level of Fund management costs. In addition, European Investment Fund will evaluate capability to attract private financing. The Financial Intermediaries will manage the funds, based on commercial principles. In the management of funds the Financial Intermediaries shall apply best practices and perform control prescribed in the regulatory enactments, inter alia considering guidelines developed by European Private Equity and Venture Capital Association (EVCA).

¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

Supported enterprises	Investments can be made only in SMEs as defined in the Commission Regulation 2003/361/EC, as implemented by the Law of the Republic of Lithuania on Small and Medium-sized Business Development No VIII-935
Supported sectors	Investments can be made in projects in all sectors of the economy, except: <ul style="list-style-type: none"> a. Gambling; b. The manufacture, supply or trade in arms, tobacco, alcohol; c. Human Cloning. <p>The above sectors are excluded in accordance with the investment policy principles of EIF; these principles may vary from time to time.</p>
Supported activities	Investments in SMEs with high growth potential in equity capital (ownership in enterprise as investor shares) or in the form of quasi-equity investments (financial instruments which holder's profit is mainly dependant on enterprise's profit or loss) during their early growth stages (seed, start-up and expansion phases)
Investment amount into an enterprise	The co-investment Funds created under the scheme will make investments in target SMEs along side business angels on commercial, <i>pari passu</i> terms. Within the Fund investments in one enterprise generally will not exceed 400 000 euro.
Fund's due diligence before investments	The Financial Intermediaries will make investment decisions based on each investment's business plan that contains product description, turnover and profitability calculations and forecasts, previous assessment of project viability, as well as each investment's clear and real exit strategy.
Fund's investments period	Up to 4-5 years
Fund duration	10 years with the possibility to extend for 2 years
Required private investor capital into a single enterprise	In each investment at least 50 % should be private investments, of which at least 5 % should be invested by Financial Intermediary.
Management cost of Fund	For the duration of the Fund, Fund management costs can not exceed, on a yearly average, 3 per cent of the capital contributed, unless a higher percentage proves necessary.
Place of business of SMEs	Primary place of business of the SMEs invested in has to be in Lithuania.
Funds' distribution policy	Returns from investments are distributed on a <i>pari passu</i> basis between investors
Reporting	Financial Intermediaries shall provide the EIF with periodical information in a standardised form and scope.
Monitoring and Audit	Financial Intermediaries and the relevant SMEs (final beneficiaries) shall agree to allow and to provide access to documents related to the rele-

	<p>vant Financial Instrument for the representatives of the Ministries, 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 Financial Intermediaries shall also include appropriate provisions in each agreement with the SMEs.</p>
Publicity	<p>Financial Intermediaries will have to carry out adequate marketing and publicity campaigns as will be specified in the Operational Agreement, focussed in the relevant territory as appropriate, aimed at making the JEREMIE initiative known to the SMEs in Lithuania in line with applicable law.</p>

Part II: Business Angels Co-investment Fund Financial Instrument Selection Criteria

1. ELIGIBILITY CRITERIA		System of appraisal Yes/ No
1.1.	Applicant and its senior management is not in any situation of exclusion (as per template provided in Appendix 5 to the Expression of Interest).	
1.2.	Applicant's ability to work and communicate in Lithuanian and English	
1.3.	Applicant's absence of conflict of interest (as per template provided in Appendix 4 to the Expression of Interest)	
1.4.	The Expression of Interest is prepared in accordance with Annex 1 to the Call for Expression of Interest. All necessary supporting documents are provided.	
1.5.	The Expression of Interest is duly signed	
1.6.	The Expression of Interest is completed and submitted in English	
1.7.	The Expression of Interest is submitted both by registered mail and e-mail	
1.8.	The Expression of Interest is submitted within the deadline	
1.9.	The Expression of Interest specifies at least the items included in Article 43.2 of EC Regulation 1828/2006	
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 this Annex)	
2. QUALITY ASSESSMENT CRITERIA		
2.1.	<p>Applicant's Management Capability.</p> <p>2.1.1. Evaluation of proposed investment strategy, including viability of fund size;</p> <p>2.1.2. Evaluation of the management team, management team's stability, and ability to implement the instrument;</p> <p>2.1.3. Assessment of operational, financial, technical and VC competences;</p> <p>2.1.4. Track record of management team;</p> <p>2.1.5. Capability of members of boards and/or committees of an investment and/or advisory nature.</p>	
2.2.	<p>Applicant's Suitability for Task/Project.</p> <p>2.2.1. Evaluation of Applicant's investment processes, including dealflow generation, networks with the business angel community, ability to invest, added-value strategy post investment and exit strategy;</p> <p>2.2.2. Management company organisation, structure and long-term viability;</p> <p>2.2.3. Assessment of corporate governance in place, including measures proposed to deal with conflicts of interest;</p> <p>2.2.4. Assessment of legal structures and independence.</p>	
2.3.	<p>Co-financing Aspects and costs.</p> <p>2.3.1. Terms and conditions, including management fee and profit share arrangements;</p> <p>2.3.2. Applicant own investment in fund, and assessment of alignment of interests.</p>	