

**Clarification Document to the Call for Expression of Interest – No JER-009/8 to select Financial Intermediaries that will receive resources from the JEREMIE Holding Fund Reflows for Bulgaria to implement the following Financial Instruments: Early Stage Fund(s) with an Acceleration Compartment**

The aforementioned Call for Expression of Interest (further “CEOI”) stipulated that: “Requests for clarifications from Applicants shall not receive individual replies. Instead, answers to relevant 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](http://www.eif.org), at latest on 15 February 2017”.

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 CEOI, unless otherwise defined below or the context requires otherwise.

Questions may appear as they have been received without any editing by EIF and in a random order. Page numbers indicated in the questions are assumed to refer to the published CEOI.

Q1	<b>Section 2. The Financial Instrument – our understanding is that a main fund and an acceleration sub-compartment shall be structured and organized within a single legal entity, could you confirm this understanding?</b>
A1	The intended Fund structure is entirely left at the discretion of the prospective Fund Managers.
Q2	<b>Section 2. The Financial Instrument – could you clarify the statement “At least 30% of the capital from the Early Stage Fund should be invested in graduates from the Acceleration compartment.” – our understanding is that these 30% capital allocation are additional to the minimum of 15% that shall be allocated to the Acceleration compartment as per Section 3. Summary of transaction terms, Capital split between the Acceleration Compartment and the Early Stage Compartment, could you confirm this understanding? Also, could you confirm the understanding that these 30% are calculated after deduction of management costs, it is our impression that if the calculation is gross of mgmt. fees, the investment in the Acceleration department will be disproportionately high?</b>
A2	Please note that the [30%] allocation as mentioned in the Call for EoI is only indicative and it refers to the capital allocated within the Early Stage Fund towards companies from the Acceleration compartment. The proportion of such allocation as well as its nature (i.e. gross or net) is entirely left at the discretion of the prospective Fund Managers.
Q3	<b>Section 3. Summary of transaction terms, Target Geography – could you please clarify the paragraph stating that "An equal proportion to the resources raised from private investors in the Financial Instrument could be invested in SMEs registered and operating outside the territory of Bulgaria"? If we assume that private investors commit 30% of the Early Stage compartment, it is our understanding that 30% of Early Stage compartment commitments could be allocated to companies registered and operating outside Bulgaria. Is our understanding correct? Is this net or gross of management fees?</b>
A3	Your understanding is correct. As the capital committed by Private Investors should be gross of management fees, the proportion to be invested outside of Bulgaria should follow the same logic.
Q4	<b>Section 3. Summary of transaction terms, Capital split between Acceleration Compartment and the Early Stage Compartment section - does the %-age for Acceleration compartment is calculated out of total fund commitments including the private investors capital or only out of EIF's commitment?</b>
A4	In case Private Investors commit to the Early Stage Fund, such percentage should consider the Total Capital Commitments made.
Q5	<b>Section 3. Summary of transaction terms, Management team own commitment – is</b>

	<b>the 2% commitment calculated out of the capital committed to the early stage compartment or the total fund?</b>
A5	Total Capital Commitments.
Q6	<b>Section 3. Summary of transaction terms, Management costs – Will the management costs be included in the Total Capital Commitments?</b>
A6	Management costs are indeed included in the Total Capital Commitments.
Q7	<b>Appendix 2 to Annex 1 Business Plan – when you refer to the Applicant shareholder base, do you mean shareholders of the Fund Manager, or equity stakes split within the Fund itself?</b>
A7	Shareholders of the Fund Manager.
Q8	<b>Appendix 2 to Annex 1 Business Plan – Are expenses for marketing strategy implementation and foreign entrepreneurs attraction strategy included in management fee allocation or there is a separate budget for that? What are the expenses within the management fee?</b>
A8	Management costs shall include all the fees and expenses necessary in setting-up, managing and winding-up the Fund.
Q9	<b>What is the indicative timeline of the entire selection process - from submissions of Expression of Interests, through negotiations to closing and start of investment period?</b>
A9	The selection process will undergo the usual internal phases for approval within the EIF, including the Approval of the EIF Board. It is intended for the instrument to be operational in 2017/early 2018.
Q10	<b>How long is the capital raising period from private investors after start of negotiations with selected Applicant?</b>
A10	There is no set deadline by EIF for fundraising money from Private Investors. It is expected, however, that such a period shall be indicated and justified by the prospective Fund Managers.
Q11	<b>What is the meaning and purpose of numbers in brackets, e.g. “[15%]”, in the Description of the Financial Instrument? Do they mean that these are suggestions subject to negotiation and that you expect applicants to make proposals in their regard, in other words are these competitive parameters on which the application will, inter alia, be evaluated?</b>
A11	Correct, the numbers in brackets are only indicative with the intention to leave more flexibility in the Investment Strategies of prospective Fund Managers. As the parameters form part of the Investment Strategy of the prospective Fund Managers, they will be subsequently evaluated.
Q12	<b>In other cases there are blank brackets without any suggestion, e.g. “[xx]%</b> ” and here again the question would be the same: do you expect applicants to make proposals in their regard, and will the proposals be competitive parameters on which the application will, inter alia, be evaluated?
A12	Please see the answer above.
Q13	<b>TARGET GEOGRAPHY I: “Specific emphasis should be also put on at least one more of the most active start-up and early-stage hubs in Bulgaria, other than Sofia”.</b>  <b>What exactly does this mean? Does that mean that you require the investment manager to open and maintain at least one (or more) offices in another city than Sofia, e.g. Plovdiv or Varna? And does that required “emphasis” apply to both the acceleration activity as well as the early stage investment activity?</b>
A13	The intention of more thorough coverage of the ecosystem in Bulgaria other than Sofia aims at encouraging prospective Fund Managers to also propose means of covering other attractive hubs/regions than the capital in their respective strategies. In no way, however, this should be interpreted as a requirement to open and maintain an office anywhere on the territory of Bulgaria.
Q14	<b>TARGET GEOGRAPHY II: “An equal proportion to the resources raised from private investors in the Financial Instrument could be invested in SMEs registered and operating outside the territory of Bulgaria.”</b> <ul style="list-style-type: none"><li>• We understand this to mean the following: Assuming we had 30% outside investors in the Fund we would be allowed to invest up to 30% of all our capital commitments outside of Bulgaria. Is this understanding correct? The clarification we seek is: is that permission unrestricted, i.e (a) if we do have co-investors, and (b) want to invest outside of Bulgaria, are we then relieved from observing the “Eligible SME” definition or are we still limited by it?</li></ul>

	<ul style="list-style-type: none"> <li>As far as we understood, the first batch of acceleration funds in Bulgaria under the JEREMIE program (LAUNCHub, Eleven) were permitted to invest in the region, i.e. outside of Bulgaria, provided some assets (50%)/IP/team were based in Bulgaria, without the need for co-investors. Conversely, does this mean that we always need co-investors to invest in companies outside of Bulgaria, even if we do meet the “Eligible SME definition”?</li> <li>Bottom line: Could you please clarify the above statement, in terms of investing outside of Bulgarian territory, and what requirements are entailed with this?</li> </ul>
A14	Your understanding is correct. A proportion of the capital equal to that raised from Private Investors could be invested in companies not respecting the Eligible SME definition.
Q15	<p><b>INVESTMENT AMOUNT INTO AN ELIGIBLE SME I: “(1) No private co-investors at the Eligible SME underlying level: EUR 200,000 to a single undertaking, as defined in art. 2 of Commission Regulation (EC) 1407/2013, over any period of three fiscal years reduced to EUR 100,000 for Eligible SMEs active in the road transport sector. (A fiscal year runs from 1 of January to 31 of December).”</b></p> <ul style="list-style-type: none"> <li>Does this mean that the Acceleration Fund can invest EUR 200,000 into a single undertaking every 3 years? E.g., if we invest EUR 200,000 into a single eligible SME in the 1 st year, could we invest up to EUR 200,000 more in the 4 th fiscal year, and, as it is a follow-on investment, again in the 7 th financial year?</li> </ul>
A15	This is correct. The cap set as per Regulation (EC) 1407/2013 covers a set period of three fiscal years.
Q16	<p><b>INVESTMENT AMOUNT INTO AN ELIGIBLE SME II: “At least 30% private co-investors at Fund or Eligible SME underlying level: EUR [1,500,000] for any twelve month period, in accordance with art. 2.1.1 (31 to 35) of the Guidelines on State aid to promote risk finance investments (2014/C 19/04).”</b></p> <ul style="list-style-type: none"> <li>Just to clarify: While the restriction above ties in to a single undertaking this restriction here is an annual maximum amount. There is no reference to a ‘single undertaking’. In other words: Does this mean that the Fund Manager may only invest up to EUR 1.5 million in aggregate per year across multiple undertakings? So the restriction that no more than EUR 200,000 may be invested in a single entity still applies in this case also (cumulatively)? Would not make much sense, but it would be good to get a clarification anyway.</li> <li>Assuming the provision is meant to be read as a permission to invest up to (but not more than) EUR 1.5 million into a single undertaking per year, does that mean that we can e.g. invest EUR 1.5 million into a single undertaking in year 2 and then again EUR 1.5 million into the same undertaking in in year 3, provided however that we do not exceed the maximum investment amount of [15%] of the total Fund commitments into a single undertaking?</li> </ul>
A16	Please note that the indicative investment limit concerns only investments in a single portfolio company per annum and not the entire portfolio of the Fund. The understanding described in your second point is correct.
Q17	<p><b>INVESTMENT, INVESTMENT AMOUNT:</b></p> <ul style="list-style-type: none"> <li>As a general rule, is the Fund Manager required to first have to invest in a target company in the ‘acceleration stage’, and only subsequently into the ‘early stage’, or can the ‘acceleration stage’ be by-passed? We understand that this is not the case but a clarification would be good anyway.</li> <li>It is stipulated in section “2. The Financial Instrument. Early Stage Fund” on page 1 of the ‘Description of the Financial Instrument’ that “at least [30%] of the capital of the Early Stage Fund should be invested in graduates from the Acceleration compartment”. We understand that this is worded as a goal (“should”) and that there are no penalties should that threshold be missed, as it is very hard to predict how investee companies will develop. And investing in one or more ‘graduates’ just to meet the required threshold doesn’t really make sense. Can you confirm that view?</li> <li>Having said that, is there a difference in maximum amounts that can be invested at the ‘acceleration stage’ and at the ‘early stage’? In other words does the EUR 200,000 maximum investment amount per undertaking apply to both the ‘acceleration stage’ as well as the ‘early stage’?</li> </ul>
A17	<ul style="list-style-type: none"> <li>There is no pre-set requirement or order regarding investments in acceleration</li> </ul>

	<p>stage, early stage or follow-on investments as this is entirely left at the discretion of the prospective Fund Managers.</p> <ul style="list-style-type: none"> <li>• Please note the numbers in brackets are only indicative and the final proposal is left at the discretion of the prospective Fund Managers.</li> <li>• Please note that the ceiling of EUR 200,000 concerns only investments made as per Regulation (EC) 1407/2013 to which no private capital is required either at the Fund and/or deal level. Depending on the Investment Strategy of the prospective Fund Managers this ceiling can apply only to acceleration stage and/or include the early stage.</li> </ul>
Q18	<p><b>INVESTMENT PERIOD.</b> “Initial investments in Eligible SMEs are envisaged to be made no later than 5 years after the first closing of the Fund. Follow-on investments in existing portfolio companies are allowed beyond this period.”</p> <ul style="list-style-type: none"> <li>• Are there any guidelines, restrictions or recommendations from your side about what percentage of capital is to, or may be, retained for follow-on investments or is the applicant/Fund Manager free in making its own allocation?</li> <li>• <b>Recycling: Is recycling permitted? In other words, if an investment is exited prior to the expiration of the investment period, can the proceeds be reinvested or do they have to be returned to the LP’s upon realization?</b></li> </ul>
A18	<ul style="list-style-type: none"> <li>• The capital allocated for follow-on investments is entirely left to be decided by the prospective Fund Managers.</li> <li>• In general, re-investments could be allowed but their form, amount and conditions of use would be negotiated at a later stage.</li> </ul>
Q19	<p><b>TYPE OF INVESTMENTS:</b> “The Early Stage Fund with an Acceleration Component will undertake risk capital investments, taking form of either equity or quasi-equity”.</p> <ul style="list-style-type: none"> <li>• What exactly does quasi-equity mean? The way we understand it, such could be a debt instrument with an equity component, i.e. a senior loan with warrants attached or a mezzanine loan with an equity kicker or a convertible loan that is convertible into equity at the election of the lender. Can the debt component of the instrument be otherwise unsecured (not that there is much to secure a repayment claim with in most cases, unless it is IP rights...).</li> <li>• Can we provide up to 100% of the committed capital through quasi-equity instruments? If not, which are the min/max limits?</li> </ul>
A19	<ul style="list-style-type: none"> <li>• Quasi-equity should be perceived as all types of debt or debt-like instruments that have some traits of equity. Mezzanine loans and convertible loans are possible quasi-equity instruments.</li> <li>• The allocation of resources to such instruments is entirely left at the discretion of the prospective Fund Managers depending on their Investment Strategy.</li> </ul>
Q20	<p><b>GOVERNING LAW AND LANGUAGE.</b> “All Fund 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”.</p> <ul style="list-style-type: none"> <li>• Is Luxembourg the preferred jurisdiction for the Fund vehicle, i.e. the limited partnership, or are all EU jurisdictions treated with the same preference?</li> <li>• What do you mean by the requirement of a justification for cross-border elements? Isn’t it normal in PE &amp; VC-fund structures to domicile the actual fund and the carry vehicle in a tax-efficient jurisdiction such as Luxemburg, the Netherlands, the Channel Islands etc., while domiciling the fund management company in the jurisdiction where the team resides and unfolds its activity? (We understand, however, that the ‘Channel Islands’ as well as other offshore jurisdictions such as BVI or Cayman are not eligible in this case).</li> </ul>
A20	<p>Please refer to answer 1 as well as the definition of “Non-Cooperative Jurisdictions” in the Call for EoI.</p>
Q21	<p><b>PRIVATE INVESTOR RANKING.</b> “JHF, the Private Investors on a Fund level and the Private Co- Investors at the level of the underlying Eligible SME will rank “pari-passu” in the Early Stage compartment in the Fund, i.e. sharing exactly the same upside and downside risks and rewards”.</p> <ul style="list-style-type: none"> <li>• Does this mean that the pari passu rule applies only to the ‘early stage compartment’ and not to the ‘acceleration stage compartment’? In other words, could theoretically third party co-investors at the acceleration level be given preferential treatment in the distribution waterfall?</li> </ul>

A21	The distribution cascade in the Acceleration compartment will follow the one listed in the Call for EoI irrespective of whether Private Investors have committed to this compartment.
Q22	<p><b>MANAGEMENT TEAM COMMITMENT. “The management team will be required to commit at least 2% of the total instrument size at pari-passu terms.”</b></p> <ul style="list-style-type: none"> <li>• Does that commitment have to come upfront or can the management team contribute the 2% over time/life of the fund?</li> <li>• We are assuming that the provision of the capital will occur through capital calls (draw-downs) to be made by the Fund Manager from time to time vis-à-vis its limited partners (investors). Is that assumption correct?</li> <li>• The pari-passu principle would therefore suggest that the management commitment should be permitted to be provided in parallel to each capital call made to the LPs.</li> </ul>
A22	<ul style="list-style-type: none"> <li>• The management team commitment shall be drawn the same way as the contribution by any other investor to the Fund.</li> <li>• This assumption is correct.</li> <li>• This assumption is correct.</li> </ul>
Q23	<p><b>MANAGEMENT COSTS OF THE FUND. “The management costs of the Financial Instrument shall be in line with market practice for similar instruments with an overall cap of 20%”.</b></p> <ul style="list-style-type: none"> <li>• Considering that the lifetime of the Fund is 10 years we read this as coming down to an average 2% management cost per year. Please confirm!</li> <li>• In PE, fund costs normally come on top of the committed capital. The way the Description of the Financial Instrument is worded it is, however, not clear to us, if the management fees and fund costs come on top or are being carved out from the amount of committed capital? Example: If the committed capital is EUR 20 million, 20% thereof would be EUR 4 million. So does that mean that this effectively leaves only EUR 16 million for investment or is the total commitment plus cost rather EUR 24 million?</li> </ul>
A23	<ul style="list-style-type: none"> <li>• Please note that the management fee &amp; cost basis shall be proposed by prospective Fund Managers and shall be in line with market practice.</li> <li>• The management costs shall be deemed to be part of the Total Capital Commitments.</li> </ul>
Q24	<p><b>FUND’S DISTRIBUTION CASCADE.</b></p> <ul style="list-style-type: none"> <li>• The way we read it there will be no hurdle rate with regard to the acceleration compartment. Is that reading correct?</li> <li>• There will, however, be a hurdle rate for the ‘early stage compartment’, although the amount of the hurdle rate is left blank. Are you expecting each applicant to make suggestions and will the proposed hurdle rates become competitive parameters on which the applications will be evaluated or are you going to set your expectation of a hurdle rate (non-negotiable item), and if so when are you planning to do so? In our experience hurdle rates are of course market standard in the PE space but are very rare in the VC space due to the higher volatility of the returns...</li> <li>• How is carried interest calculated and how and when are fund distributions made? Is carried interest calculated on a deal-by-deal basis or on an aggregate basis and, if the latter, is it based upon the total unreturned capital contributions made by the investors on realized and unrealized investments or just realized investments (and unrealized investments that have been written down for financial reporting purposes). Will distributions occur only upon closing and dissolution of the Fund, or will they be made upon realization, e.g. at the end of each fiscal year?</li> </ul>
A24	<ul style="list-style-type: none"> <li>• Your understanding is correct.</li> <li>• The Hurdle Rate or Fixed Multiple are expected to be proposed by the prospective Fund Managers and will form part of EIF’s overall assessment.</li> <li>• Carried Interest is calculated on a whole-fund basis as per the described distribution cascade in the Call for EoI.</li> </ul>
Q25	<b>Is the Fund Management Company allowed to seek financial contributions from other sources, e.g. corporate sponsors, notably for the acceleration compartment?</b>
A25	Please note that the Fund Manager is expected able to take management and investment decisions independently, in particular without the influence of investors, sponsors or any other third party which is not integrated in the Fund structure. This should also be reflected in the shareholdings of the Fund management company.

Q26	<b>Are there any restrictions that apply to the scope of activities of the Fund Management Company? In other words does the Fund Management Company have to be 100% dedicated to the investment and investment management activity or is it permitted to pursue other activities, e.g. generate income from consulting and advisory activities etc.?</b>
A26	Any additional activities not directly linked to the management of the Fund will need to be assessed on a case-by-case basis and in conjunction with the commitment and independence of the team as well as any conflicts of interest.
Q27	<b>Is the Fund Management Company permitted to potentially manage other funds and vehicles?</b>
A27	Please see the answer above.
Q28	<b>How important is the ‘joint experience of the team members’ as an evaluation criterion? Is it sufficient if some of the team members had prior bilateral joint experiences between them?</b>
A28	The assessment of the joint experience of the team members will form part of the overall evaluation by EIF.
Q29	<b>We understand that proficiency in Bulgarian and English are mandatory requirements for the team members. Does that mean that all individual team members need to have that proficiency or is it sufficient if the team as a whole has that proficiency?</b>
A29	The requirement to speak Bulgarian and English should be regarded as a requirement to the team as a whole.
Q30	<b>We understand of course that an evaluation criterion based on citizenship would violate EU law, but given that this is a program with a specific territorial focus would you say that having Bulgarian nationals in the team is, if not a requirement, considered a “plus” for an application?</b>
A30	There are no set expectations regarding the nationality of the members in the Fund management team.
Q31	<b>Would it be considered a ‘conflict of interest’ if members of the team have been or are involved in other structures/funds that are funded by EU institutions (Regional Development Fund, Horizon 2020, EIB, EIF, etc.). Having said that, how are perceived ‘conflicts of interest’ treated/weighed? Are they considered “show stoppers” for an application or will applicants be given the opportunity to remedy and/or manage the conflict of interest (“chinese wall”, etc...)?</b>
A31	Please refer to answer 26.
Q32	<b>Do you have a view or preference on how large or small a team should/can be? How many full-time dedicated members do you consider required? Would you consider a larger team with more members on fractional time commitments as negative as compared to a smaller team that is full-time committed?</b>
A32	This matter is entirely left at the discretion of the prospective Fund Managers.
Q33	<b>Do you have a view on the equity distribution model in the Management Company? Are ‘equal partner’-models being viewed more favourably?</b>
A33	This matter is entirely left at the discretion of the prospective Fund Managers.
Q34	<b>Is the Fund Manager free to decide how much equity it will take for investments and acceleration from investee companies in the acceleration compartment or do you prescribe a fixed model?</b>
A34	This matter is entirely left at the discretion of the prospective Fund Managers.
Q35	<b>Does the Financial Intermediary that will act as a Fund Manager need to have a track record or newly established entities shall be admitted to apply for funding as well?</b>
A35	It is expected that the track record presented will be attributable to the management team, proposed to manage the Fund.
Q36	<b>In the event that newly established legal entities are allowed to apply for funding, do they have to be already incorporated at the moment of submitting the application or a commitment of the management team is sufficient?</b>
A36	Submitting the application of behalf of the prospective Fund management team would be sufficient.
Q37	<b>Is it allowed for foreign persons (non-Bulgarians) to be Directors of the Fund Manager?</b>
A37	Please refer to answer 30.
Q38	<b>What evidence should be presented to prove the professional experience and capacity of the Directors of the Fund Manager (e.g. CV, references, etc.)?</b>
A38	The supportive materials to be presented are entirely left at the discretion of the

	prospective Fund Managers.
Q39	<b>What evidence (if any) should be presented to prove the readiness and commitment of the professionals to join the Fund Manager subject to successful closing of the fund?</b>
A39	The commitment of the team shall form part of the proposals submitted by the prospective Fund Managers and will be thoroughly assessed by EIF.
Q40	<b>Are there any guidelines with regard the financial performance of the underlying SME's both historic as well as envisioned in the business plans going forward?</b>
A40	There are no such guidelines suggested in this Call for EoI.
Q41	<b>What is the envisioned performance of the overall fund (e.g., based on EIF's past investment results of similar EU backed investment funds)?</b>
A41	The expected performance/return of the Fund is left to be proposed by the prospective Fund Managers.
Q42	<b>Are there any restrictions as to the exit mode for SME's: can existing SME management buyout, or the fund managers or existing private investors looking to enlarge their equity?</b>
A42	Exit strategy as part of the overall Fund strategy is left at the discretion of the prospective Fund Managers.
Q43	<b>What are the guidelines with regard to capital increases vs. share purchase (partial cash-out of owners)? Do investment managers have the option to structure buy-outs or are only capital increases envisioned?</b>
A43	There are no guidelines as the type and structure of the investments to be made shall be part of the Investment Strategies proposed by the prospective Fund Managers.
Q44	<b>Financial Intermediary/Fund Manager:</b> <b>a. Does it have to be a licensed and or regulated Fund Manager or not?</b> <b>b. Can it be a consortium of two or more Managing Entities?</b> <b>If yes, in case the Fund Manager has not been set up, who is expected to fill in the Expression of Interest and the listed in the Call for Expression of Interest declarations and statements?</b> <b>c. Does the Fund Manager's have to project strong track record as entity or what matters is the team members individual CV's relevance?</b> <b>d. Does the Fund Manager have to be a locally present entity or it can be a foreign entity with strong domestic market knowledge?</b> <b>e. If the Fund Manager or its members already manage a technology fund, although later stage one, would this be considered a benefit or possible conflict?</b>
A44	a) Please refer to answer 1. There is no set requirement for a regulatory supervision in the Call for EoI, if not required by the jurisdiction in which the Fund is to be set-up. b) Yes, it can. In case the entity has not been set-up the EoI can be signed by each of the applying individuals forming the management team. c) Please refer to answer 35. d) Please refer to answer 1. e) Please refer to answer 26.
Q45	<b>The Fund:</b> <b>a. Can it be an existing fund structure or has to be a newly registered one with no prior activities?</b> <b>b. Does the fund have to be a Regulated entity under the local capital market rules? If yes", given the short time frame, can it start as non regulated entity with the covenants to undergo a regulation at given point of time?</b> <b>c. Are there any special requirements and criteria on Fund custodian, administrator and other service and facility providers?</b> <b>d. Separation between the startup and acceleration compartment, are there any special requirements on separation between the two allocations, such as formation of two separate funds, or fund and sub fund or side pockets, or this can be done with simple separation of the portfolios?</b> <b>e. Would the investor provide his own guidelines on Limited Partnership Agreements, Placement Memorandums and other legal and marketing materials or he will avail to the Manager's judgement?</b> <b>f. Can the Fund be used as a platform to attract more capital from third parties for follow on portfolio companies investment into which the Investor is not going to or has no mandate to invest to?</b>
A45	a) Please refer to answers 1.

	<ul style="list-style-type: none"> <li>b) Please refer to answer 1 and 44 (a).</li> <li>c) Please refer to answer 1.</li> <li>d) Please refer to answer 1.</li> <li>e) The Fund set-up and the corresponding legal work associated with it are expected to be developed and submitted by the Fund Manager upon being selected.</li> <li>f) The Fund can raise private capital from Private Investors on a deal-by-deal level respecting the “Private Co-Investors at the level of the underlying Eligible SME” provision as stated in the Call for EoI.</li> </ul>
Q46	<p><b>Economics</b></p> <p><b>a. Management Fee:</b></p> <ul style="list-style-type: none"> <li>- Is there any cap on the annual range of the Management Fee?</li> <li>- Is there a defined period for pays out of the management Fee (quarterly, half-annually, annually)?</li> <li>- Is there a possibility for pay out with clawback option?</li> <li>- Can parts of the management fee payout be swapped to subsidize the Fund Manager's co-participation of 2% in the fund?</li> <li>- What is the calculation basis for payout of the Management Fee – on committed capital or on invested capital?</li> <li>- Can Fund Manager receive any fees (director fees, advisory fees, transaction fees, monitoring fees, etc.) and how this will affect the management cost (offset %)?</li> </ul> <p><b>b. Is there any cap on the Fund organization expenses or those should be seen as part of the Management Fee?</b></p> <p><b>c. Is there a specifically desired hurdle rate effect by the investor or this should be solely based on Fund Manager's assessment?</b></p> <p><b>d. Is there any limitation on the Fund Manager to participate in the follow on investments in a portfolio company in which the investor cannot participate due to strategy and own policy?</b></p>
A46	<ul style="list-style-type: none"> <li>a. <ul style="list-style-type: none"> <li>- Please refer to answer 23.</li> <li>- It could be anticipated that the management fee will be paid quarterly in advance.</li> <li>- Such proposals could only be commented in a later stage once fully described.</li> <li>- It is expected that the team commitment into the Fund will come from resources of the management team.</li> <li>- Please refer to answer 23.</li> <li>- The management costs are deemed to include all fees therefore any such fees shall likely be fully offset.</li> </ul> </li> <li>b. The Fund set-up costs form part of the overall Fund management costs.</li> <li>c. Please refer to answer 24.</li> <li>d. The Fund is indeed allowed to make follow-on investments in portfolio companies.</li> </ul>
Q47	<p><b>Exits:</b></p> <p><b>a. Are there specific milestones and benchmarks upon which the Fund would desire to exit (time, multiples, liquidity events)?</b></p> <p><b>b. If those milestones and benchmarks are beyond the Fund wind up period with its extensions, is the investor going to impose a forced exit or he can stay until collective investors' exit, regardless of Fund's windup period?</b></p>
A47	<ul style="list-style-type: none"> <li>a. This matter is left entirely at the discretion of the prospective Fund Managers.</li> <li>b. If there is portfolio still left to be exited at the end of the duration of the Fund, the investors could decide to prolong its duration, sell, or liquidate any such remaining portfolio.</li> </ul>
Q48	<p><b>Does higher Management contribution count towards the 30% co-investment requirement as part of the Early Stage Fund? Is there maximum management contribution?</b></p>
A48	<p>The contribution of the Fund Manager shall be regarded as contribution raised from Private Investors should it comply with the “Private Investors on a Fund Level” provision.</p>
Q49	<p><b>How is the 30% co-investment amount calculated? On the total fund size (EIF, outside investments and management contribution)? On the investable amount (total fund less Management costs)? On the Early Stage Fund component only?</b></p>
A49	<p>It depends – if on the Fund level then it should be based on the Total Capital Commitments. If on deal level, it should be based on the investment amount in the respective transaction.</p>
Q50	<p><b>Is our understanding correct that for the call could apply either management teams or funds themselves?</b></p>

A50	This Call for Eol is aimed at prospective Fund Managers.
Q51	<b>How shall we proceed in case the applying company (fund) has not yet been established?</b> <ul style="list-style-type: none"> <li>- Who will be the applicant in such case? (The fund or the management team?)</li> <li>- What would be the deadline to establish the fund and to be operational in such case?</li> </ul>
A51	<ul style="list-style-type: none"> <li>- Please refer to answers 36.</li> <li>- There is no pre-set deadline to establish the Fund as this should be proposed by the prospective Fund Manager.</li> </ul>
Q52	<b>Is it possible to apply with a newly formed team?</b>
A52	Team formation is entirely let at the discretion of the prospective Fund Manager.
Q53	<b>Can you please elaborate on the calculation of the 2% own commitment of the management team? 2% of the JEREMIE participation or 2% of the total amount of the instrument including the private participation at fund-level?</b>  <b>For example in case of EUR 10m JEREMIE resources and 5m private fund-level participation, would you calculate 2% of EUR 10m or 2% of EUR 15m?</b>
A53	The team own commitment should be considered as a percentage of the Total Capital Commitments to the Fund.
Q54	<b>Is still the 2% participation of the management team required in case of private investors' participation?</b>
A54	The team commitment is required irrespective of the participation or not of Private Investors on the Fund level.
Q55	<b>Can you please elaborate on the 20% cap on the management costs? 20% of which amount? What does this include exactly? Any limitations? Is this the total amount for the whole term of the instrument – 10/12 years and how those costs should be dispersed over time?</b>
A55	The cap on management fees & costs throughout the entire fund duration is set at 20% of Total Capital Commitments to the Fund.
Q56	<b>Can we assume that the investment into the Fund from the fund management company can be considered a private investment? Hence investment by the fund management company of more than 30% of the JEREMIE contribution would allow for maximum investments of up to EUR 1,500,000 in one SME.</b>
A56	Please refer to answer 48.
Q57	<b>Is it possible to combine the resources under this call with EU resources under other initiatives (apart from the restricted ones – ESF) or EIF-managed instruments?</b>
A57	Combinations of different resources are possible however the possibilities of such combinations will have to be discussed and assessed on a case-by-case basis.
Q58	<b>Are there any restrictions in respect of quasi-equity investments?</b>
A58	Please refer to answer 19.
Q59	<b>Under which circumstances may the EIF decrease its commitment to a particular Financial Intermediary (point 3 of the Call for expression of interest)?</b>
A59	EIF's commitment through JHF cannot represent more than 70% of the Total Capital Committed to a Fund. In cases this ratio is to be exceeded, JHF's commitment will need to be adjusted to respect the set threshold.
Q60	<b>Is there a minimum participation of JHF in each Fund?</b>
A60	There is only maximum participation of JHF set at 70%.
Q61	<b>Can you please elaborate on the Target Geography? An equal proportion to the resources raised from private investors in the Financial Instrument could be invested in SMEs registered and operating outside the territory of Bulgaria. How is this calculated?</b>
A61	Please refer to answer 14.
Q62	<b>Regarding the Fund's distribution cascade:</b> <ul style="list-style-type: none"> <li>- Would "carried interest beneficiaries" include only the fund managers?</li> <li>- Who defines the "preferred return"? Is it negotiated between the fund managers and limited partners or it is set by Fund owners?</li> </ul>
A62	<ul style="list-style-type: none"> <li>- Please refer to answer 24.</li> <li>- Please refer to answer 24.</li> </ul>
Q63	<b>Applicant commitment for own investment in the Early Stage Fund with an Acceleration Compartment of at least 2% of the total size. Can you please further elaborate on that requirement? Can you confirm this is the same 2% required by the</b>

	<b>fund managers?</b>
A63	Yes, the commitment of the applicant is the same as the commitment by the prospective Fund Manager.
Q64	<b>EXCLUDED SECTORS AND ACTIVITIES.</b> <ul style="list-style-type: none"> <li>• <b>Unexpectedly real estate investments are not specifically mentioned as an ‘excluded sector’. Does that mean real estate investments are allowed?</b></li> </ul> <b>And if not, what about RE-related investments, such as investments in a service business that is heavily based on underlying RE?</b>
A64	Real Estate sector and investments as such are not restricted.
Q65	<b>Part II Selection criteria for the financial intermediary, Quality assessment criteria – what is the split of total potential points within each section between the different criteria themes e.g. how are the 60 points within Section 2.1. Project Relevance, Quality and Coherence split between the different sub-sections?</b>
A65	There is no predefined split and the sections will be assessed as a whole.