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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM

Foreign Direct Investment Workshop Final Report

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Implemented by
Booz Allen Hamilton

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FOREIGN DIRECT INVESTMENT WORKSHOP

FINAL REPORT

Kosovo Private Enterprise Program project Foreign Direct Investment Workshop April 24-25, 2009
Contract No. EEM-I-00-07-00007-00, TO #2

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PURPOSE OF ASSIGNMENT

The USAID Kosovo Private Enterprise Program (KPEP) contracted with Investment Advisor Artur Chabowski to implement the following tasks:

- Organize and hold a one-day workshop in Kosovo for companies that wish to attract investment to their business. This workshop will discuss types of investors as well as detailed information on what will be required from the local firm: for example, research and provide information about the company's position in the market and market demand for product/service; detailed financial information about the company; willingness to engage in contract negotiations; willingness to cede partial control of management in return for the investment injected into the company etc.
- Organize and hold a two-day workshop for local consultants who will be engaged by KPEP to conduct due diligence and develop an investment brief on companies that were identified by KPEP or its partners and contacts as suitable candidates for investment. Topics will include: how to present the company and its products/services; how to conduct market research and present market position of company; how to develop financial statements for the company, etc.
- Work with the ECIKS group in Vienna to deepen their investment promotion, attraction and retention skills so that they become a more effective asset for Kosovo's investment attraction effort.
- Provide KPEP with all documents developed for this intervention.

BACKGROUND

In September 2008, USAID awarded the Kosovo Private Enterprise Program (KPEP) to Booz Allen Hamilton. USAID designed KPEP to build on the successes achieved to date and impact Kosovo's economy through lasting improvements in private sector competitiveness.

KPEP includes four main components: 1) private sector support in targeted sectors with potential for growth and competitiveness; 2) identify demand driven development for business support services; 3) improve business enabling environment; and 4) workforce development. The Kosovo Private Enterprise Program will also address several cross-cutting areas including gender, youth and minority development. Finally, the program will manage a Strategic Activities Fund (SAF) valued at \$3,760,000.

Investment is a catalyst of innovation in a sector or value chain. KPEP, by using its own resources, its network of contacts, and by engaging international and local experts, wants to identify suitable Kosovo companies that are interested in investment in their business, and to link them with investors from the region and internationally.

As a first step, KPEP engaged an international advisor with proven expertise to educate local companies that are interested in investment to ensure they know on what it takes to attract an investor and close the deal. The advisor also trained local Kosovo consultants on how to conduct due diligence for investors and develop a company investment brief/profile that can be used to attract and capture investors.

EXECUTIVE SUMMARY

On April 24 and 25, 2009, KPEP Investment Advisor Artur Chabowski conducted a workshop in Kosovo, dedicated to local companies and advisers. The main purpose of the workshop was to educate participants on the methodology for seeking investment used in developed markets. The workshop helped local companies to understand the requirements involved in identifying, attracting and working with an investor, and for the local consultants to develop skills necessary to seek and advise companies based in Kosovo to look for investment in an organized and professional way.

Over 30 companies, preselected by KPEP sector specialists, were invited to the workshop, as well as consultants that are on the roster of KPEP Premier Advisors Program or on the TAMBAS consultant list. From those interested, 8 were selected as the most qualified.

The seminar was held over two days, for companies and consultants on April 24, in Hotel Victory, and for consultants only on April 25, in KPEP offices.

The workshop was well received and enabled KPEP to prepare a follow-up plan assisting local consultants to look for private companies seeking investors, as their clients.

WORKSHOP

KPEP organized the workshop in Kosovo and invited local companies and consultants. All the participants received workshop materials and were encouraged to actively participate in the workshop, to ask questions and to share experiences. KPEP organized simultaneous translation for those participants who did not speak English.

On April 24, the workshop was held in Hotel Victory in Pristina. The participants were business representatives and consultants, including ECIKS (Economic Initiative for Kosovo) representatives. In the questions and answers session, participants exchanged information with the Investment Adviser about their experience with seeking investors and the history of privatization projects in Kosovo.

Topics discussed:

Strategic sale or raising financing (equity or debt)? – What is the difference?

Strategic sale – Why?

Strategic sale – Major issues to be answered prior to launching the process

- % of the ownership to be sold
- The future of the management
- Investment needs
- Valuation
- Any incentives or protection to the employees
- Legal issues (tax liabilities and indemnity, environmental liabilities and indemnity etc, governing law, litigations', real estate)
- Personal tax
- Exit (in the case of a remaining minority stake)

Strategic sale – Anticipating potential buyer's issues

Strategic sale – List of potential buyers

- Major Motivation
- Sources of Potential Buyers

Strategic sale – Major steps and timetable

Strategic sale – Team of advisers and their role, scope of work, fees

Strategic sale – Main documents

Workshop on key business pillars

On April 25, the workshop was held in KPEP's office in Pristina, Kosovo. The participants were the consultants and the ECIKS representatives. Since the participants spoke English there was no language barrier, and the participants could get detailed explanation and advice given their local experience and business environment in Kosovo.

Major steps, timetable and main documents

- Teaser
- Non disclosure agreement
- Information Memorandum
- Initial offer outline

- Data Room
- Buyer's due diligence
- Final Offer Outline
- Share Purchase Agreement
- Transaction closure
- Other major issues

Seller's due diligence

- Main business areas
- Financial Statements
- Legal issues
- Tax issues
- Environmental Issues

Share Purchase Agreement - Major clauses from the business point of view

- Pre-conditions
- Purchase price
- Warranties and indemnities (tax, environment, other)
- Limitation to the seller's liability
- Confidential Information
- Use of intellectual rights
- Governing law

Workshop

- Part 1: Participants divided into 3-4 teams reviewed examples brought a day before and showed what is missing, and what should be done differently
- Part 2: Q&A session

KPEP organized the workshop very well, all participants had the chance to actively participate and benefit from the Investment Adviser's experience.

KPEP organized the transportation and the accommodation for the Investment Adviser, so his stay in Kosovo was secure. He also had a chance to gather information about Kosovo's business environment during breaks and informal meetings with the workshop participants.

TASK FINDINGS

The Investment Adviser, after conducting the workshop and having interviewed the participants noticed the following phenomena which represent in his opinion an obstacle to attract private investments into Kosovo:

- According to the participants most of the private investments in Kosovo targeting small and medium companies are done among family members and are lacking formal agreements. This situation creates room for misunderstandings and disputes not only for the current business holders, but for any outside investor who will not be aware of any previous arrangements. The cultural resistance to formal agreements will cause a problem for outside investors.
- The legal system in Kosovo is weak and inefficient, therefore any foreign investor may insist on agreements being based on foreign law which might be not acceptable to the local business owners in Kosovo. The foreign investors may also be concerned with enforcement of a foreign law in Kosovo.
- Most of the investments are done on a cash basis, which usually means that the source of those funds is not properly reported and potentially not taxed. Therefore any outside investor willing to pay taxes in Kosovo, may find the prices for his goods or services not competitive, since most of the local market players avoid taxes, especially VAT.
- The local banks provide debt financing with very high interest rate (above 13%) in Euro, which makes debt financing in Kosovo very expensive and not affordable to medium and low margin businesses. Some of the foreign investors may view this as an advantage in the short term since they enjoy much lower financing costs. However, over the long-term, very high interest on debt financing is an obstacle to local companies.
- The financial independent audit is a new concept to the business owners. Therefore, most of the official financial statements are probably not accurate and most likely are prepared to minimize the tax exposure. This situation makes it difficult to the foreign investors to analyze and evaluate the local business, since the local business owners will value their businesses on the “unofficial profits”. The foreign investors may also seek a warrantee and indemnity for any historical taxes and liabilities, which makes the investment more difficult for both parties.

CONCLUSIONS AND RECOMMENDATIONS

On the micro level:

Encourage local consultants to find private business owners willing to engage and pay consultants to find investors using methodology provided in KPEP workshop.

On the macro level:

Continue KPEP initiatives which are already addressing the major legal and regulatory issues facing the Kosovo's government.

ANNEXES

- Annex I List of participants
- Annex II Day 1 and Day 2 presentation
- Annex III Feedback from the participants



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PROGRAMI PËR NËRMMARRJET PRIVATE NË KOSOVË (KPEP)

LISTA E PJESËMARRËSVE

Tema: Investimet e Huaja Direkte

Udhëhequr n: Artur Chabowski

Kohëzgjatja 6-8 ore

Vendi Hotel Victory

Data: 24/04/2009

No.	Emri i pjesëmarrësit	Pozita	Emri i kompanisë	Vendi	Telefoni	E-mail adresa	Gjinia (M/F)	Nënshkrimi
1	Ejiana Naka	Admin Manager	AMCHAM	Prishtine	038 246 012		F	
2	Kushtrim Shaipi		AMCHAM	Prishtine	038 246 012		M	
3	Mustafe Hasani		IPAK				M	
4	Alajdin Fusha	Manager	ABI		044124 522		M	
5	Refik Shabani	Owner	Agrounion		044 501 831		M	
6	Fatos Stavileci	Executive Direct	ATIKOS		044 129 086		M	
7	Lulezon Jagxhiu	Managing Direct	Cactuss	Prishtine	044 122 312		M	
8	Hevzi Xhejili	Owner	CF Progresi		044 502 035		M	
9	Kushtrim Beqiri	Technical Manag	CF Progresi				M	
10	Hisni Krasniqi	Manager	ELSAM		044 213 636		M	
11	Xhavit Kokollari	Deputy Director	Etinger		044 205 908		M	
12	Zeqir Shamolli	Manager	Eurokos		044 213 636		M	
13	Rizah Deshishku	Owner	EXPIK	Prishtine	044 120 578		M	
14	Blerim Tahiraj	Sales Manager	EXPIK	Prishtine	044 129 514		M	
15	Gykmen Ademoglu	Owner	Gykmen Trade		044 985 002		M	
16	Hekuran Arfi	Financial Manag	Hotel Argjena		044 255 781		M	
17	Kushtrim Hasani	Manager	Hotel Sharri		044 501 997		M	
18	Gazmend Kajtazi	Manager	InterAdria		049 112 381		M	
19	Ramadan Gashi	Director	KagAsfalt		044 215 900		M	
20	Mustafe Korenica	Director	Korenica		044 503 919		M	
21	Ilir Mullatahiri	Leader Producti	Korenica				M	



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PROGRAMI PËR NDEMRARRJET PRIVATE NË KOSOVË (KPEP)

LISTA E PJESËMARRËSVE

Vendi: Hotel Victory

Data: 24/04/2009

Tema: Investimet e Huaja Direkte

Udhëhequr n: Artur Chabowski

Kohëzgjatja (8 ore)

No.	Emri i pjesëmarrësit	Pozita	Emri i kompanisë	Vendi	Telefoni	E-mail adresa	Gjinia (M/F)	Nënshkrimi
22	Ferki Haxhimehmeti	Director	Lin Project		044 157 192		M	
23	Hakif Gashi	Director	Meridian		044 504 100		M	
24	Margarita Brovina	Executive Assist	Meridian				F	
25	Gezim Spahija	Executive Director	Onherba				M	
26	Valon Hysenaj	Director	Smart Tech		44151987		M	
27	Sheqer Ukaj	Director	UkajElmor		44503291		M	
28	Valon Canhasi	Sales Manager	Smart Tech		44151188		M	
29	Blerta Begolli	Manager	UkajElmor		044 503 291		F	
	Hava Zekaj							
	Ferit Bekri	Tousoff	Bespa C.		04423880		M	
	Albina Berisliq	Bis.Des.Hyq	MIDA	PR	04473264	aberisliq@centra.com	F	
	ENIJA KUTINI	Trainers	Kesenga	PR	177690	E.Miraj@kda.org	M	
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	Ulks Osmani	Director	UB3 CONSULTING	PR	044-11-217	A.osmani@ub3consulting.org	M	
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	Samir Bajter	Producer			0443333557		M	
	Erkan Ademoglu							



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KPEP Workshop

April 24, 2009

Artur Chabowski
ACADIA
Warsaw, Poland

April 24, 2009



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Agenda

- | | |
|---------------|--|
| 8:45 to 9:00 | Welcome coffee & introduction |
| 9:00 – 11:30 | 1. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?
2. Strategic Sale: Why? Major issues |
| 11:30 – 11:45 | Coffee Break |
| 11:45 – 14:00 | 3. Strategic Sale: Buyer's issues
List of potential buyers
Major steps & timetable
Team of advisors
Main documents |
| 14:00 – 15:00 | Lunch break |
| 15:00 – 17:00 | Workshop – Practical exercises to get you started |

I.1. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?

Business owners must understand and decide what they need to further develop their businesses:

- **Financing ?**
- **How much?**
- **For what?**
- **Debt?**
- **Equity?**

I.2. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?

To answer those questions, owners must understand the above terms:

Financing ?

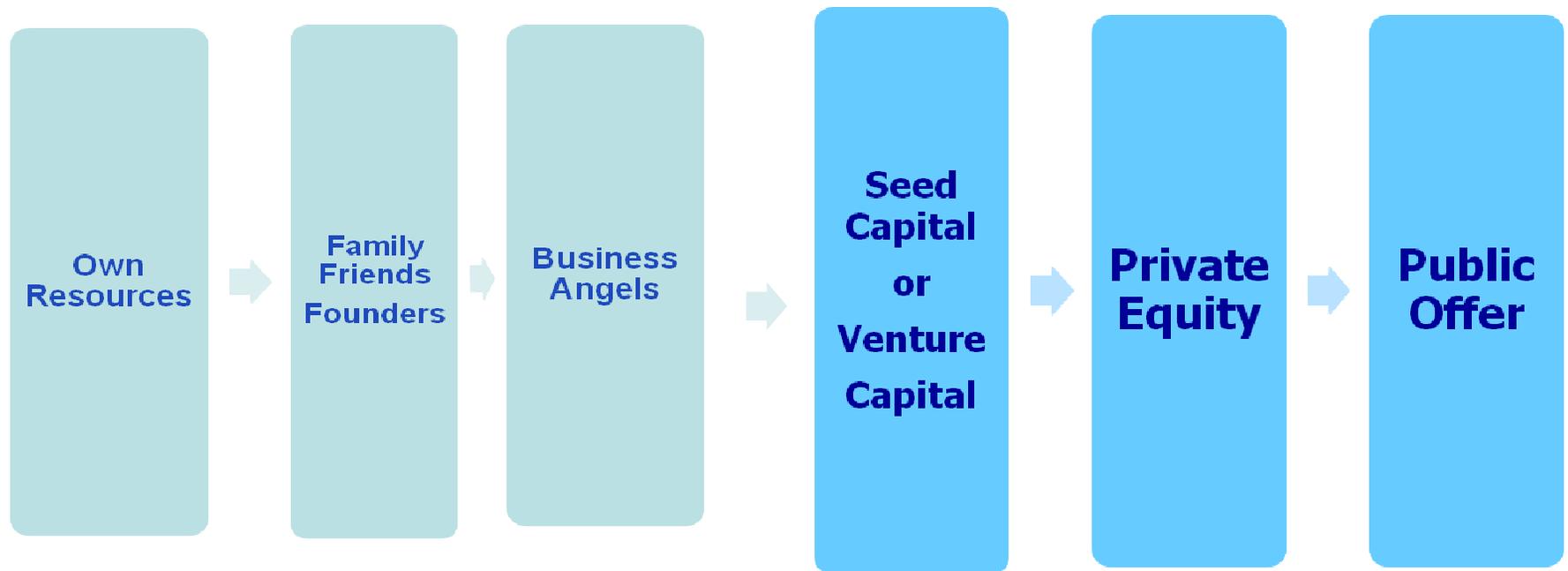
Is financing the main issues facing your business?

What about the management? Sales and marketing?

Quality? Other?

Financing providers must be convinced the current stage of the business is run efficiently and is ready for more financing

I.3. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?



I.4. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?

How much is needed? The amount must be justified by the estimated investment size AND the readiness to utilize its impact and expected rate of return

Debt? Is the popular source of financing, usually requires collateral and comes with interest, less expensive than equity, should be optimized

I.5. Strategic Sale or Raising Financing (Equity or Debt) : What is the difference?

Equity? Comes from the owners, is more expensive than debt

When part of the financing is equity, the owners shareholding will decrease as percentage of the total (be diluted).

I.5. Strategic Sale or Raising Financing (Equity or Debt) : What is the difference?

Minority equity investor has fewer shares than owner.

- **Will still require certain influence over the company, such as**
 - **Position on supervisory board**
 - **Veto rights over major decisions**
 - **Right to exit from the investment together with the owners, etc., receive reports**
 - **Right to take over in case of default or fraud**

I.6. Strategic Sale or Raising Financing (Equity or Debt): What is the difference?

Majority equity investor controls the company. The previous owners become a minority shareholders

A strategic sale is when the owners decide to sell 100% of their stake, or majority of it.

A strategic investor usually represents the same industry

II.1. Strategic Sale – Why?

Main reasons to consider a strategic sale:

- Owners are no longer interested to develop their business further, and there is no successor they can trust.**
- The company lost its competitiveness**
- The company needs significant financing to grow but has limited financing capacity**
- In order to grow, the company needs to be part of much larger organization**
- The company needs know-how otherwise too expensive to acquire**

II.2. Strategic Sale – Why?

What does a strategic sale mean to owners and to company?

The owners either sell all the shares and exit from their investment or retain some shares but become the minority shareholders

The company gets a strong shareholder who:

- can finance the growth,**
- give access to the new markets,**
- provide know-how,**
- implement new management**

II.3. Strategic Sale – Maybe Joint Venture?

A joint venture when both parties are willing to create and work together on a new project

The parties must agree in advance the following issues:

- what each party is bring into the new venture now and in the future**
- what is the shareholding structure**
- who is going to manage the company on daily basis**
- the future of the minority shareholder**

In joint venture, local partner does not sell his business, both parties invest in new venture

II.4. Strategic Sale – Maybe Joint Venture?

Who are joint venture partners?:

- Supplier of inputs to company, industry**
- Producer of equipment used by company, industry**
- Provider of technology to company, industry**
- Large customer**

How to find joint venture partner?

- Use your internal contacts**
- Hire adviser with industry contacts**

II.5. Strategic Sale – Maybe a License Agreement?

License agreement might a be a good choice when:

- Market for that product exists**
- Your company has organization to sell and deliver and potentially produce the product**
- You have a management to develop the business**
- Business will generate enough money to pay for license**

Analyze license and its terms

Look for competitive license providers

In any case, be prepared to make “down payment”

II.6. Strategic Sale – Maybe a License Agreement?

Who is providing license agreements?

- Machinery, equipment producer**
- Technology provider**
- Individual, firm that brokers licenses**

How to find license partner?

- Use your internal contacts**
- List of machine producers and technology providers**
- Hire adviser with industry contacts**

Think long term – need to balance among price, stage of technology and skills required

III.1. Strategic Sale - % of Ownership to be Sold

Simplest transaction -- sell 100% of the shares.

None of selling price depends on any future conditions or performance of the company

When majority stake is sold, owners become minority shareholders. They should secure their exit and other minority rights

III.2. Strategic Sale - % of Ownership to be Sold

Any exit option that is based on future performance of company depends on amount of influence former owners (now minority shareholders) will have over management of company

III.3. Strategic Sale – Future of Management

In case of 100% sale of shares, new owner will decide future of management

In case of majority sale, former owners may have limited influence on appointment of key positions

If former owner wants to protect management, he/she can change major terms of their management contracts

III.4. Strategic Sale – Investment Needs

Investment needs should be calculated and agreed with new owners prior to strategic sale

Failure to meet investment needs is one of main reasons to consider strategic sale.

Thus, when former owners retain minority stake in the company, they should make sure that obligation to fulfill investment needs is part of share purchase agreement

III.5. Strategic Sale – Valuation

Most popular valuation methods:

- Net assets value: a balance sheet value on given date, does not consider future results of company**
- Replacement value: what should be paid to replace company given its current condition, location, equipment, etc.**
- Discounted cash flow (DCF): value is based on future free cash flow generated by company given its development plan**

The market price is the highest bid !

III.6. Strategic Sale – Incentives or Employee Protection

In case of large strategic sales and privatizations, where employee support for transaction is crucial, new owner often agrees to offer employees incentives, such as salary increase, transaction bonus, job guarantee etc.

Any incentive given to employees will impact sale price, because it represents additional costs to the buyer

III.7. Strategic Sale – Legal Issues

Share sale agreement defines sale price and other important legal issues:

- Governing law – strongly advisable to be local law**
- Liabilities – new owners should be ready to take full responsibility for past liabilities, such as tax, environmental, third party claims, litigations and indemnify investors**
- All of this should be negotiated in detail**
- Sometimes it is possible to cap the owner's liability**

III.8. Strategic Sale – Personal Tax

- **A strategic sale can result in significant amount of income to the owners. It is advisable to think in advance about personal tax liability**
- **Any tax optimization must be done in accordance with the law**
- **Since there is a significant amount involved most likely, it will be subject to the local tax authority control**

III.9. Strategic Sale – Exit

In case of remaining shareholding after the strategic sale, it is very important for former owners to secure an exit option for their shares.

IV.1 Strategic sale – anticipating potential buyer's issues

Owners and management should anticipate these most important issues for investors:

- Brand?**
- Production capacity?**
- Local market and customers?**
- Law costs? Management?**
- Products, licenses?**

V.1. Strategic Sale – Major Motivation

- **In order to increase probability of successful sale, sellers need to attract as many buyers as possible**
- **To do that, sellers need to understand each investor's motivation and develop an individual channel of communication and appeal to that motivation**

V.2. Strategic Sale – Sources of Potential Investors

Understanding motivation will help to develop a long list of potential investors

- Market – neighbor, competitor, supplier**
- Labor costs – located in country with high labor costs**
- Distribution – local producer**
- Trade Mark – private label producer**
- Technology – less advanced competitor**

**The longer the list, the higher the likelihood of success.
You can sell your company only once !**

VI.1. Strategic Sale – Major Steps and Timetable

Action	Month Week	April				May				June				July				August			
		4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
<i>Preparation Stage</i>																					
Kick-Off Meeting	1	■																			
List of Potential Investors	2		■																		
Data gathering	2		■	■																	
Teaser, NDA	2		■	■																	
Information Memorandum (first draft)	2		■	■																	
Information Memorandum (final draft)	3		■	■	■																
<i>Execution Stage</i>																					
Teaser sent to potential investors	1				■																
NDA signed with potential investors	1				■																
Information Memorandum sent to investors	1				■																
Initial offers received	3					■															
Due diligence (three potential investors)	3					■	■														
Final offers received	2						■	■													
Final investor selected	1									■											
Share sale agreement negotiations	3										■	■	■								
Closing	1													■	■	■	■	■			

VII.1. Strategic sale – Team of Advisors

- **Strategic & financial advisor – responsible for entire sale process, valuation, together with other advisers prepares all documents, coordinates other advisers**
- **Legal adviser – prepares all legal documents, assists in negotiations**
- **Fees – retainer, success fee, out of pocket expenses**

VIII.1. Strategic Sale – Main Documents

- **Teaser**
- **Non-disclosure agreement**
- **Information memorandum**
- **Third party reports**
- **Auditor's reports**
- **Share purchase agreement**



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KPEP Workshop

April 25, 2009

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Agenda

- **8:00 – 09:00** **Welcome**
- **9:00 – 13:00** **I. Major steps, timetable, and main documents**
- **13:00 – 14:00** **Lunch break**
- **14:00 – 15:00** **II. Seller's due diligence**
- **15:00 – 16:00** **III. Share Purchase Agreement**
- **16:00 – 16:10** **Coffee break**
- **16:10 – 17:30** **IV. Workshop**

I.1. Main steps – time table

Action	Month Week	April				May				June				July				August			
		4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
<i>Preparation Stage</i>																					
Kick-Off Meeting	1	■																			
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Final offers received	2	■																			
Final investor selected	1	■																			
Share sale agreement negotiations	3	■																			
Closing	1	■																			

I.2. Main documents – Teaser

- **A short document (max. 3 pages) presenting the investment opportunity and the main reasons to invest**
- **Targeting potential buyers (management board members, owners, corporate development executives, mergers and acquisition advisers)**

Main purpose: to interest potential buyer to follow up with the investment opportunity

Main information to be covered: business overview, transaction, market, products and services, key investment considerations, shareholders, financial results, timetable, contact details

I.4. Main documents – Non-Disclosure Agreement (NDA)

- **A legal document prepared by the legal adviser, protecting confidentiality of the sale process**
- **Main information to be covered: define confidential information, usage of information, access to information, return, responsibility, territory, governing law**

I.5. Main documents – Information Memorandum

- **Key document describing the company seeking investor**
- **Main purpose: to provide enough information for the potential buyers so they can prepare an initial offer**

I.6. Main documents – Information Memorandum

- **Since most of the buyers will be from the same industry, one has to careful not to provide the most sensitive information at this stage, because there will be only one final buyer**
- **Main information to be covered: disclaimer, transaction summary, market, sales and distribution, marketing, location, management and workforce, financial results, legal issues**

I.7. Main documents – Initial Offer Outline

- **A short document describing what must be included in the initial offer and providing the timetable of the sale process**
- **Main purpose: to have all initial offers covering the same issues and making initial offers comparable**
- **Main information to be covered: define purchase price, main assumptions, approvals, investment, strategy, management's future**

I.8. Main documents – Data Room

- **A data room process combines a list of documents available to the potential buyer and a procedure defining access to information, access to the employees, company visit during the due diligence process**
- **Due diligence process is done by the potential buyers but should be managed and supervised by the seller's advisers**
- **Each due diligence team may have questions, which should be promptly answered**

I.9. Main documents – Buyer’s Due Diligence

- **The buyers may have their own advisors conducting the due diligence process covering:**
 - **Legal issues**
 - **Financial and tax issues**
 - **Technical Issues**
 - **IT issues**
 - **Environmental issues**
 - **Human Resources issues**

I.10. Main documents – Buyer's Due Diligence

- **The buyers should send a list of questions in advance**
- **The sellers should make sure that all the issues are covered by the documents in the data room**
- **It is very important that all the buyers are treated equally especially with regard to the sensitive information**

I.11. Main documents – Final Offer Outline

- **Covers the same issues as the initial offer outline plus template of the share purchase agreement**
- **Should encourage buyers to issue a binding and non conditional offer**
- **Should be sent in a sealed envelope and opened by more than one person**

I.12. Main documents – Final Offer Outline

- **The deadline must be the same to all buyers, taking into account that they have not finished due diligence by the same date**
- **It also should define the conditions and period of the exclusivity to be granted to the best bidder**

I.13. Main documents – Share Purchase Agreement

- **A legal document prepared by the legal adviser, defining all transaction**
- **The sellers should provide the issues involved in the a template to all buyers requesting comments as part of the final offer**

I.14. Main documents – Share Purchase Agreement

- **The governing law: should be the law applicable to the sellers**
- **The legal adviser to the seller should keep the “mother version” and providing the seller and the buyer with all the updated versions and the remarks**

I.15. Main documents – Transaction Closure

- **Should be precisely defined in the share purchase agreement**
- **Never too few details to be covered regarding the share purchase agreement**
- **If any party wishes a media coverage, such an event should be well prepared in advance**

I.16. Main documents – Other Major Issues

- **Equal treatment**
- **Employees and the management**
- **Rumors and the media**
- **Hiding bad news**
- **Keeping important issues „for later”**
- **Verbal agreements**

I.17. Main documents – Other Major Issues

- **Government involvement as several levels**
- **Permits and approvals**
- **The advisers conduct the due diligence, however it is the obligation of the management and the owners to provide accurate and true information, therefore the advisers are not responsible for the content of the information memorandum**

Coffee Break

II.1. Seller's Due diligence

- **The advisers involved on the sellers side should cover the same scope of information as later the buyer will during his due diligence**
- **The seller's advisers are on his side, so they should know all important information about the seller's company**
- **The better prepared advisers the better selling job they can do!**

II.2. Seller's Due Diligence

- **The advisers should also know the weak spots because he can help fix it or develop a cover story, it does not help when adviser learns about them from the buyer!**
- **Once completed, the company and their employees are better prepared to face future buyer's due diligence**

II.3. Main Business Areas

- **The same as in the information memorandum, but information memorandum is a selling document, so during the seller's due diligence it is important to learn about all the issues i.e. advantageous and disadvantageous**
- **The main business areas are the most crucial for the buyer when considering an investment, because first he must be strategically convinced to buy the company, in such a case there is a high likelihood for a good price**

II.4. Financial Statements

- **Last three years should be audited**
- **The financial statements should be also be presented in accordance with international accounting standards, or in accordance with the local standards but the difference between standards explained**
- **Auditors statements can be included in the information memorandum**

II.5. Financial Statements

- **Projections can be limited to sales, EBITDA and net profit**
- **When approaching investors using other currency, statements should be also calculated in that currency**
- **Any extraordinary events should be explained**

II.6. Legal Issues

- **Legal issues should be covered by the legal adviser**
- **Main issues to be covered:**
 - **General legal corporate data**
 - **Shareholders**
 - **Property**
 - **Subsidiaries**
 - **Lincenses, trade marks**
 - **Insurance**
 - **Litigation**
 - **Loans and guarantees**

II.7. Tax Issues

- **The auditors should review the tax reports**
- **Tax payments should be up to date**
- **Tax office may issue a statement confirming the tax payments**
- **The investor may seek an indemnity and guarantee regarding any outstanding taxes referring to the period prior the transaction**

II.8. Environmental Issues

- **The buyers may wish to review all historical activities related to the environmental protection (soil contamination etc.)**
- **Any potential environmental liability may negatively impact the transaction price**
- **In case of a large liability caused by the previous owners, one can seek a help from the government**

III.1. Share Purchase Agreement – Pre-conditions

- **It is important to define all terms and conditions to be fulfilled before closing**
- **The conditions should be reasonable and limited**
 - **Third party condition adds risk and extends the timetable**
- **Each side covers its own costs**

III.2. Share Purchase Agreement – Purchase price

- **Amount**
- **Currency (exchange rate?)**
- **Form of payment**
- **Payment date**
- **Bank accounts**
- **Confirmation**
- **Authorization**

III.3. Share Purchase Agreement – Warranties and Indemnities, Limitation to the Seller's Liability

- **Well defined**
- **Limited time**
- **Limited amount**
- **Limited to new issues not disclosed during the due diligence**
- **Insurance**

III.4. Confidential Information

- **Defined by non disclosure agreement**
- **Limited period**
- **Penalty**
- **Non competition clause**

III.4. Share Purchase Agreement – Use of Intellectual Rights

- **Verified ownership**
- **All rights unified and up to date**
- **Well defined**
- **No claims**

III.5. Share Purchase Agreement - Governing Law

- **Choose local law**
- **Choose local language, at least prevailing**
- **Any foreign law means: higher costs, no experience, higher risk**
- **Choose local court**
- **Compromise: local law but arbitration**

Lunch Break

IV. Workshop

EVALUATION REPORT

Foreign Direct Investment (FDI) Seminar
April 24, 2009
Pristina, Kosovo

Attendance:

Total: 35 (31 men; 4 women)

Est. total participants 25 or under: 0

Target audience attended: KPEP sector companies interested in FDI and consultants interested in working with KPEP on this initiative

Part 1. Workshop Content and Structure

I. Workshop Topics

20 forms were completed. Note that not all respondents answered every question. Also it was not possible to separate company comments from consultants.

	Poor	Adequate	Good	Very Good	Excellent
Day One overall			2	9	7

II. Instructional Methods

Numbers inserted at right represent the number of respondents using that rating.

	Poor	Adequate	Good	Very Good	Excellent
Presentations by instructors/trainers			2	3	11
Group discussions		3	8	10	1
Questions and answer periods (formal and informal)			1	12	5
Handouts		1	3	9	7

Type in all comments under the appropriate question using a bullet point to distinguish among people. Insert number Of "Yes" and "No" answers in the boxes provided.

Part 2. Program Scope and Content

What were your training objectives?

- To understand in depth the FDI process.
- Understanding the international business cooperation.
- Methods of treating shares.
- Get information on how an organization can make strategic sale or generate funds.
- Getting practical know-how on FDI.
- Gain knowledge about needs of Kosovo companies to attract investors.
- Training for institutions entitled to provide licenses, validity of license (on monthly basis), not for two years or one month with experts, we need investors.
- Learning about goals/ and the needs of companies.
- Learn more about attracting FDI.
- Good, professional.
- Get information on what are the possibilities to attract foreign investments in our company.
- To see the possibilities for foreign investments in our company.
- Exchange of experiences, gaining new knowledge, contact with other persons.
- Learn about project purpose and get to know interested companies for cooperation.
- Learning more on certain aspects that are important in foreign direct investments.
- To get more detailed information for capital increase.

Were your objectives fulfilled? If **Yes**, please explain how. If **No**, please explain why not.

Yes **No**

- I would expect to learn more on different FDI partnership approaches. **14** **2**
- The topics were explained in excellent manner, and brought good examples, jointly with very professional presentation.
- Yes, I think I absorbed some ideas of controlling the shares.
- Yes. My company has experience in selling the company assets and information I got today could be helpful in future cases.
- Yes, it was a good introduction of company's needs.
- Yes, about negotiations with international investors, ways for co-financing.
- Yes, information was sufficient.
- Partially, because information was elementary.
- Yes, we have gained an experience.
- No, I expected it is going to be more advanced.
- Yes, my objectives were met and exceeded.
- Yes, we have 19 years of experience; we have a location, and a safe enterprise.
- Yes.
- Yes, listening to experiences from the others, developing new knowledge.
- Yes, I learned a lot about this topic and I met some companies.
- Yes, explanation was clear and well illustrated with examples.
- No, because information presented is nothing that I did not know before.

	Yes	No
<p>Did you acquire new skills or knowledge through this training? If Yes or No, please describe.</p> <ul style="list-style-type: none"> • Valuation, legal issues etc. • Yes, I think that this was the best way to learn and acquire the necessary skills. • I gained knowledge about developing and increasing the value of business. • Yes, we saw experiences of practical cases for FDI. • Yes, there were comments and information from the parties that gave me a new picture. • Yes, ways for co-financing for various projects in particular in the field of productions. • Yes, better evaluation of the needs of local companies. • No, I have attended similar trainings. • Yes, during presentation. • No. • Yes. • Yes. • Yes, it is a new experience and has much information that was important. • Yes, main elements of strategic sale (of a business); procedure for a strategic sale. • Yes, skills for things that are involved in the process of enterprise sales. • Yes, I learned more about the importance of strategic sale. • Yes. • No, nothing new was provided. 	15	2
<p>Will you be able to use this new knowledge in your current responsibilities? If Yes, please explain how you will use this new knowledge. If No, explain why you will not be able to use knowledge when you return to your responsibilities.</p> <ul style="list-style-type: none"> • To existing foreign investors for (?) in working on Kosovo opportunities • Assist SMEs develop business plans/at the JV, partnership level. • Yes I will, since I am a director at the company and I represent also in the Board of Directors. • Yes, our company bought a small local company that provides internet services and now it is expanding its capacities. It has also entered into a joint venture in a new project. • Yes, developing projects for FDI. • Yes, I will when developing projects for FDI. • Yes, to help to the companies to reach their investment goals. • Yes, we will be able to use this knowledge and it will be easier for us. • Yes, with regard to promotion of companies. • Foreign investments. • We will search for contacts with potential partners, to activate the zinc plant. We expect professional assistance from USAID. • Yes. • No. I am not an owner, I represent the owner. I could use the only as consultation • Yes, provide services in this field. • Yes. • Yes, by focusing on potential investors, to understand correctly the importance of strategic sale and the approach they should have for this issue. • Yes. • I did not acquire new knowledge. 	13	2

What was the most beneficial part of the training? Please describe.

- Financial and legal processes
- All topics were beneficial
- Information, experiences of the others
- Lectures/ exercise
- Information that the companies provided.
- About co-financing, foreign investments in different programs.
- Have more interactive trainings. Participants have to get more involved because it would be more beneficial.
- Examples form the experience of the lecturer/ trainer.
- Foreign investments.
- Exercises.
- The lecture on shares, strategic sale, taxes, and concrete examples were welcome for me.
- The part on dividing the request for lending into working stages.
- Main steps of sale; sources of potential investors.
- The part on strategic sale.
- Topic number 3 (three).
- N/A

Can you suggest any improvements for future training? **Please explain.**

- Would suggest including the public-private partnership models.
- None, keep up the good work
- Bring more interesting cases of businesses that were sold before.
- Include higher number of businesses.
- More information by companies interested in investments.
- About institutions that provide procedural services, in order to have greater chances for people to work (this country needs investments).
- Trainer to have better training capabilities.
- If possible to make them shorter. Business owners have many obligations.
- Using the time more for working in groups; concluding-summarize the discussions.
- Have the training shorter.
- Perhaps it would be better that the material is sent to the participants prior training (electronic version).
- Provide trainings of higher level not only basic information.

Additional comments.

- Just fine :-)
- n/a.
- No.
- It is important to learn about the needs of local companies.
- We are privileged to take part in this training and learn from experiences.
- Present more case studies.
- We'd like to contact with suppliers from abroad.
- It was well organized.
- Provide trainers with knowledge about Kosovo and the region.

Thank you for your time in completing the evaluation!

EVALUATION REPORT

Foreign Direct Investment (FDI) Seminar
April 25, 2009
Pristina, Kosovo

Attendance:

Total: 8 (6 men; 2 women)

Est. total participants 25 or under: 0

Target audience attended: Consultants interested in working with KPEP on this initiative

Part 1. Workshop Content and Structure

I. Workshop Topics

Note numbers may not total 8 because not all respondents answered all items; also some inserted specific topics and rated.

	Poor	Adequate	Good	Very Good	Excellent
Day 1 overall				1	2
Seller's due diligence				1	2
Investment process					1
Share purchase agreement				1	

II. Instructional Methods

Numbers inserted at right represent the number of respondents using that rating.

	Poor	Adequate	Good	Very Good	Excellent
Presentations by instructors/trainers			1	2	2
Group discussions			1	4	
Questions and answer periods (formal and informal)				4	1
Handouts			1	4	1

Type in all comments under the appropriate question using a bullet point to distinguish among people. Insert number Of "Yes" and "No" answers in the boxes provided.

Part 2. Program Scope and Content

What were your training objectives?

- Learn about the methods of the sale process and information and steps needed.
- To know on FDI PP approaches and other approaches.
- Direct experience for accomplishment of sale/ investment transactions.
- Information about the process of attracting FDI.
- Learn more about topics for sale of companies.
- Learn about new techniques for preparing the businesses for generating investments.
- Preparation of local businesses for sale? What methods, etc.

<p>Were your objectives fulfilled? If Yes, please explain how. If No, please explain why not.</p> <ul style="list-style-type: none"> • Yes, I heard a lot about different experiences too. • The training is useful but I expected more on FDI models/ approaches to learn. • Wide discussion elaboration with concrete examples. • Yes, through lecturing and examples. • Yes, now I am aware of more items that we shall have in mind. • Yes, I learned a professional approach/ methodology about steps to be taken in closing a successful sale. • Yes, I have a wider picture related to approaching buyers and the methodology. 	Yes	No
	7	1
<p>Did you acquire new skills or knowledge through this training? If Yes or No, please describe.</p> <ul style="list-style-type: none"> • New information given during the training. • I learned some new experiences and got new perspectives of the sale process. • Recall/refreshed my insights on FDI. • Entire presentation is something new for us. • Yes, we learned about stages of investment. • Yes, it is clear what to include in the documents. • Yes. • Yes, legal aspects – contracts. 	Yes	No
	8	0
<p>Will you be able to use this new knowledge in your current responsibilities? If Yes, please explain how you will use this new knowledge. If No, explain why you will not be able to use knowledge when you return to your responsibilities.</p> <ul style="list-style-type: none"> • Some steps can be usual (useful?) for me during the sale process. • Will be more effective with current investors for whom I'm working. • The knowledge will be used in the forthcoming work of this field. • Yes, through consulting and application of FDI. • Yes, I will be able to use a lot from these instructions. • Yes. • Yes, to clarify the relation with clients; represent better the client' needs. • 	Yes	No
	8	0
<p>What was the most beneficial part of the training? Please describe.</p> <ul style="list-style-type: none"> • Presentation; experiences. • Due diligence. • Description of concrete steps for following up a transaction. • The part on legal aspects. • Different stage of preparation for reaching an agreement with the seller/ potential buyer. • Legal aspect (for me), because I saw new elements. 		

Can you suggest any improvements for future training? **Please explain.**

- To have trainer with better training skills.
- No improvements to suggest.
- Trainer shall keep awake the classroom/students; be more proactive to get attention of class.
- In the future materials could be more descriptive, in order to serve as reference in future.
- Training to be longer and develop topics in the aspect of _____.
- What should be included in the offer? How important is the law?
- We could have more materials (templates) handed out, for future reference.
- The trainer to be more charismatic, and offer more space for participants to discuss.
- Have shorter trainings and more focused and have them more interactive.

Additional comments.

- Good organization from KPEP.
- Organizing was good but duration was short for this voluminous material.
- In general I am satisfied with organization.

Thank you for your time in completing the evaluation!