

Small Enterprise Assistance Funds

Quarterly Report to USAID (July to September 2001)

for Grant # PER-G-00-00-00011-00

SEAF/CARES BAC

Subrecipient of Bulgaria Grant PER-G-00-00-00011-00

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**Small Enterprise Assistance Funds (SEAF)
 Quarterly Report to USAID
 Quarter ending 9/30 2001
 Federal Grant PER-G-00-00-00011-00
 Submitted by: CARESBAC Bulgaria (sub-recipient)**

Summary

In general, CARESBAC's status with the 21 portfolio companies can be broken down as follows: 2 exits are completed, 3 are under sales of assets or liquidation, 6 have formalized MBO Agreements, 9 are now negotiating MBOs, 1 is likely MBO, and 2 are targeting strategic investors.

The following table shows the stage and the type of CARESBAC exits for Q3 2001:

Exit completed	Exit in process	Type	Exit under negotiation	Type	Exit under preparation	Type
• Bulgarsky ogurt	• Agromes	MBO	• Bulborg	MBO	• Plastcommerce	MBO
• Rel Dent	• Alexander mill	L	• Darko	MBO	• Bumar	MBO/S
	• Bulborg	MBO	• Darko-Serdika	S	• Berries	MBO/S
	• Deva	MBO	• Gama forage	MBO		
	• Ken	MBO	• Owescon	MBO/L		
	• Le Style	L	• Slunchev plod	MBO		
	• Mesni producti	MBO	• Yaitzeprom	MBO		
	• Palhutev	MBO				
	• Pain d'Or	Strat				
	• Sanig	S				

Stage:

Exit completed

- Caresbac received all agreed amounts on the exit

Exit in process

- Caresbac started exit procedure, signed an exit agreement or mandate

Exit under negotiation

- Caresbac starts exit negotiation

Exit under preparation

- Caresbac adds value and prepares the companies for exit

Type:

MBO - management buy-out

L - liquidation or sale of the company assets

S - sale of CB shares to a third party

Strat - sale of all/majority shares, both of CB and the rest of the shareholders to a strategic investor.

Aggregate sales for all of the currently active portfolio companies as of year to date total approximately \$6 million, which is an increase of 84%. Compared to the sales of Q 3 2000, the increase in Q3 2001 is by 68%.

**Small Enterprise Assistance Funds (SEAF)
Quarterly Report to USAID
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Federal Grant EPE-0023-G-00-5126-00
Submitted by: CARESBAC Bulgaria (sub-recipient)**

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Aggregate Results

A. Cumulative Operations

	Up to Prior Quarter	Current Quarter	Cumulative to Date
Initial Total Grant Available	\$ 7,000,000	\$ -	\$ 7,000,000
Grant Drawdowns (DC)	\$ 655,000	\$ -	\$ 655,000
Grant Drawdowns (BG Cost Coverage)	\$ 692,480	\$ -	\$ 692,480
Grant Drawdowns (BG Investments)	\$ 3,305,953	\$ -	\$ 3,305,953
Subtotal	\$ 4,653,433	\$ -	\$ 4,653,433
Grant Amount Renewed	\$ 2,346,567	\$ -	\$ 2,346,567
Grant Drawdowns (BG Investments)	\$ 200,000	\$ -	\$ 200,000
Remaining Grant (Amount to Transfer)			\$ 2,146,567

Total SEAF-Bulgaria Investment Activity

	Up to Prior Quarter	Current Quarter	Cumulative to Date
Equity Investments	\$ 3,124,193	\$ -	\$ 3,124,193
Loans to Investees	\$ 2,862,612	\$ -	\$ 2,862,612
Other	\$ 380,837	\$ -	\$ 380,837
Total Investment Activities	\$ 6,367,642	\$ -	\$ 6,367,642

Total SEAF-Bulgaria Operating Costs

	Up to Prior Quarter	Current Quarter	Cumulative to Date
Total Expenses	\$ 2,199,506	\$ 50,753	\$ 2,250,259

B. Portfolio Exposure

(Please see attached Q3 2001 PEA Sheet)

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Description of Current Investments

No additional disbursements were made to existing CARESBAC investments in Q3 2001.

Investment	Date Implemented	Status / Reason for Investment	Amount Disbursed this Quarter
Total			

A. Portfolio Status

(Please see attached Q3 2001 Number of Employees and Revenue Sheet)

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B. Company Developments:

Highlights of company operations during the quarter include:

Bulborg

- CARESBAC signed a MBO agreement with the other owner to buy CARESBAC out, as it appears that there is no external interest for the brewery. Elana consulting company did not succeed in finding a potential buyer.
- The fact is that the big breweries have no interest in investing in smaller ones such as Bulborg.

Bumar

- The Company expanded its distribution network from just servicing the major cities to becoming a true national producer, as it can now reach all customers in Bulgaria.
- CARESBAC started negotiations for a MBO exit and is planning to complete the deal by the end of middle of 2002.

Darko

- Darko remains focused on increasing sales in 2001 and establish a new machine for ice-cream on a stick.
- CARESBAC prepared an exit agreement to sell its shares from Darko to the other shareholders together with its shares from Darko-Serdika to Darko.
- CARESBAC is negotiating MBO terms - target price is 1,200,000 USD.

Owescon

- CARESBAC is continuing its negotiations for a MBO exit. CARESBAC is completing the deal to clear the title of building and land, whose ownership will be transferred to CBG for securing exit repayment.

Pain d'Or

- Pain d'Or continues to benefit from the ambitious expansion of Billa. Up to now, Billa has three stores in Sofia and two outside of Sofia.
- Pain d'Or is increasing the supply Shell gas station with frozen partial baked products.
- Pain d'Or finalized the negotiation with HypovereinsBank and received 350,000 EUR for investment in a new production line, which will increase the capacity of the Company.
- CARESBAC staff met with the Company to organize a strategy for the potential sale.

In addition to the above companies, CARESBAC has been able to:

- Continue its progress with the liquidations of Le Style and sell assets from Alexander mill and Sanig. Almost all assets of Le Style have been sold and CARESBAC's relationship

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with the Company should be finalized in Q1 2002. Caresbac's shares in Sanig were sold; agreement for selling some of the companies assets has been signed.

- Continue to receive payments in accordance with Management Buyout Agreements with Agromes, Mesni Produkti, KEN-4 and Deva. Received the down payment at the amount of 21,000 Usd for Bulborg's shares.
- Began negotiations regarding Managerial Buyouts with Gama Forage, Slunchev Plod and Yaitzeprom. CARESBAC is close to reaching an agreement with Yaitzeprom, with hopes of this being accomplished by the end of October. The deal with Slunchev Plod and Gama Forage will be completed by the end of the Year 2001.

Q3 2001 PEA Sheet

	Name of Investment	Fund	Country Fund	PEA Spreadsheet Date	Total Authorized Disbursements	Disbursements to Date	% Equity	% Debt	Equity Balance	Debt Balance	Capital Repayments	Guarantee Exposure	Total Exposure	SEAF Ownership	Interest Income Collected	Fee & Dividend Income Collected	Capital gain	Net Exposure
1	Bulborg		CBG	30-Sep-01	375,706	375,706	63%	37%	250,155	146,667	12,145		396,822	49%	17,384	7,400		338,777
2	Bumar		CBG	30-Sep-01	289,050	285,907	65%	35%	175,000	94,924	30,073		269,924	49%	36,320	11,314		208,200
3	Darko		CBG	30-Sep-01	375,673	390,565	100%	0%	168,754	-	175,351		168,754	40%	81,454	77,572		56,188
4	Darko-Serdika		CBG	30-Sep-01	329,151	389,251	85%	15%	209,311	37,108	144,059		246,419	51%	18,221	10,274		216,697
5	Gama Forage		CBG	30-Sep-01	173,290	151,473	78%	22%	83,010	23,148	31,177		106,158	35%	12,078	2,032		106,186
6	Owescon Plastics		CBG	30-Sep-01	285,000	285,471	85%	15%	250,000	43,689	-		293,669	45%	1,738	13,100		270,633
7	Pain D'Or		CBG	30-Sep-01	464,575	284,988	100%	0%	250,000	-	37,000		250,000	25%	7,245	18,200		222,543
8	Plastcommerce '93		CBG	30-Sep-01	241,193	241,193	71%	29%	91,873	38,266	111,053		130,139	25%	51,878	26,955		51,307
9	Slunchev Plod		CBG	30-Sep-01	225,561	225,561	69%	31%	88,371	39,187	98,368		127,558	35%	42,382	1,780		83,031
					2,759,199	2,630,115			1,566,474	422,969	639,226		1,989,443		268,700	168,627		1,553,562

1. Total Authorized Disbursements are always greater than Disbursements to Date less Capital Repayments

2. The table does not include the following companies: Genov; Le Style; Offset Express; Reldent.

3. MBO agreements signed with Mesni produkti on 20-Jul-2000; Bulgarski Yogurt - 7-Jul-2000; Deva - 2-Aug-2000; Sanig - 4-Aug-2000; Palhutev - 15 February 2001; Ken - 23 March 2001; Yaitzeprom - 24 April 2001;

Q2 2001 Number of Employees and Revenues

ID	Fund	Country Fund	Name of Investment	Date of Initial Employment & Revenue	EMPLOYMENT			REVENUE						
					Initial Employment	Employment Q 3 2001	Employment Growth	Initial Revenue in Local Currency	Initial Exchange Rate	Initial Revenue in US \$	Current Revenue in Local Currency	Current Exchange Rate	Current Revenue in US \$	Sales Growth
		CBG	Bulborg*	1998	22	16	-27%	36,114,948	1760.8	20,511	415,687	2.185181	190,230	827%
		CBG	Bumar	1997	37	37	0%	85,000,010	1682.2	50,530	1,148,247	2.185181	525,470	940%
		CBG	Gama Forage	1996	12	15	25%	38,751,900	178.3	217,341	186,903	2.185181	85,532	-61%
		CBG	Darko/Darko Serdika*	1995	84	290	245%	29,423,318	67.2	437,847	7,350,339	2.185181	3,363,721	668%
		CBG	Owescon Plastics	1998	30	53	77%	379,521,253	1760.8	215,544	646,722	2.185181	295,958	37%
		CBG	Pain D'Or	1998	100	92	-8%	1,014,143,176	1760.8	575,969	2,033,348	2.185181	930,517	62%
		CBG	Plastcommerce '93	1995	31	27	-13%	82,126,330	67.2	1,222,118	559,616	2.185181	256,096	-79%
		CBG	Stunchev Plod*	1995	57	160	181%	11,236,042	67.2	167,203	564,061	2.185181	258,130	54%
					373	690	85%			2,907,063	12,904,923		5,905,654	103%

* - companies with seasonal business

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