

SUMMARY

On July 17, 2013 the Donors Committee approved the project “Equity Investment in the Q2E Education Fund” including a USD 5,000,000 equity investment financing and USD 395,000 non-reimbursable technical cooperation financing (RG-M1239). During the course of the MIF team negotiations with the project Manager, some of the other potential investors expressed a preference not to invest in a fund structure but directly in Kuepa Education LTD (“Kuepa” or the “Company”), which is a company investing in education and managed by the same team that proposed the Q2E fund. These investors saw Kuepa as a more favorable investment as it is an established company with operations in three countries and ongoing service contracts in five other countries. Via its contracts and subsidiaries, Kuepa currently serves more than 50,000 students and employs a total of 170 people including instructors, administrative personnel and its executive team of eight managers.

Based on such investor feedback, the Managers of Q2E have proposed to channel all investments via their holding company, Kuepa, and not through the fund. To be able to participate in the new proposed structure, the MIF is requesting the amendment of the project “Equity Investment in the Q2E Education Fund” (RG-M1239) in order to substitute Kuepa Education LTD as the target of the MIF financing. Along with the proposed change of investee, this proposal would reduce the MIF financing component from USD 5,000,000 to USD 1,500,000 and the non-reimbursable component from USD 395,000 to USD 80,000. Moreover, instead of an equity investment this amendment proposes the financing to be via a senior loan to Kuepa that could be convertible to common shares of the Company.

With financing from MIF and other sources, Kuepa expects to build a network of small, flexible, and affordable education providers in the region, in line with the main goals proposed in the original MIF project. The development goals involving the expansion of affordable education would be maintained and in some cases increased, such as in the expected number of students reached, which is now 100,000 compared to 30,000 in the original project. The risk profile of the new transaction is believed to be lower, given the nature of the proposed instrument (convertible debt as opposed to equity in a fund).