



Towards the Future: A Market Driven Industry

This presentation is divided into 3 sections:

1. VC Industry Best Practices
2. MIF Disbursement Process
3. Compliance on Reporting
4. New MIF Initiative

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VC Industry Best Practices - Terms and Conditions

Management Fee: 2%; 2.5%; 3% in exceptional cases 3%.

NEVER more than 3%

Investment Period: realistic periods according to the investment strategy of the fund. Otherwise you end up adjusting the exit strategy to the life of the fund but not to the company's growth path.

Flow of communication: when is the right moment to communicate issues (bad, good ones) regarding investees? Valuation/impairment

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Relations with the IDB Country Offices: Inform (via e-mail) the MIF Specialists (ask to meet with them if you haven't yet) and the IDB Representative when an investment is made (many times the press calls the Rep. and he has no idea about the investment made); talk to them about the investees to see if there are other IDB related projects that are complementary to the investees needs or can help them with their export strategies, etc.

Co-investments with other funds: we assume the funds do the due diligence together and although each one writes its own investment proposal for its own investment committee, there has to be a synchronization of the information sent: many times the # of employees, sales, growth projections and VALUATION are somewhat different.



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Valuation: specify what methodology you are using, explain how you arrived at that value.

Reporting on environmental and social issues: this is a topic that is not going away, on the contrary, there is a consensus among the IFIs and other investors that these issues form part of the good governance of a fund. IIC training is mandatory.

Conflict of Interest: the conflict can be dealt with by disclosure, recusal by the interested parties, and transparent, market-based decisions.



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Conflicts include ownership in the company by the manager or an affiliate; investors in the fund are already investors in the company, fees charged to the investees, acting as consultants for the investees, etc.

Lately, several of our funds have affiliates as main co-investors. This creates unique situations on the voting percentages, so we may require for future funds with similar characteristics that the initial first closing must include a non affiliate investor besides the MIF.



DISBURSEMENTS

Send originals disbursement papers to:

Investment Officer

Lawyer

Lisette Barbero (lissetteb@iadb.org)

In addition, send a copy via e-mail and fax to (202) 942-8100
so we can start the process.



BANK ACCOUNT INFORMATION

We need details of Bank Account stated on every disbursement request.

Clearly specify the details of your Beneficiary Bank and your Intermediary Bank (if there is one).

If details of account have changed, please provide an explanation. This is a requirement from our Finance Department and it is checked by our auditors at year-end.



Information to Include on your Capital Call

A table stating the following:

Investors

Number of Shares

Amount Requested in this Capital Call

Amount Disbursed up to date (not including this disbursement)

If there is a carry from a previous disbursement



Purpose of the Capital Call

- Please make sure to specify the purpose of the call, i.e.:
- Management Fee
- Investment, etc.
- If the call is for a partial or total investment, include Investment Committee Minutes



Disbursement Details

- Capital call is signed and comes in letter head from your organization
- Your information, i.e., name, telephone number, e-mail address, etc. is written clearly in the Capital Call
- Specify exactly what would be our portion of the disbursement



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Fund Snapshot

Investees 12/31/2005	Date Initial Investment	% share current	Cost (Local \$)	FMV Current	Exits	Dividends	Holding Period	Grading
1	Company 1	May-00	1,500,000	1,500,000		0	5.65	
2	Company 2	Dec-00	2,500,000	3,700,000	Dec-04	3,700,000	5.06	
3	Company 3	Jun-01	2,000,000	0	May-03	0	4.51	
4	Company 4	Sep-01	3,500,000	8,000,000	Oct-05	8,000,000	4.30	
5	Company 5	Jan-02	3,000,000	0	Mar-05	0	3.97	
6	Company 6	Aug-02	2,000,000	3,000,000			3.41	
7	Company 7	Sep-03	2,800,000	3,200,000		0	2.33	
Total		0	17,300,000	19,400,000		11,700,000		

1 - Probable Capital Gain

2 - Performing as expected

3 - Performing, needs close monitoring

4 - Underperforming, some loss of capital expected

5 - Underperforming, severe loss of capital expected

6 - Write-off



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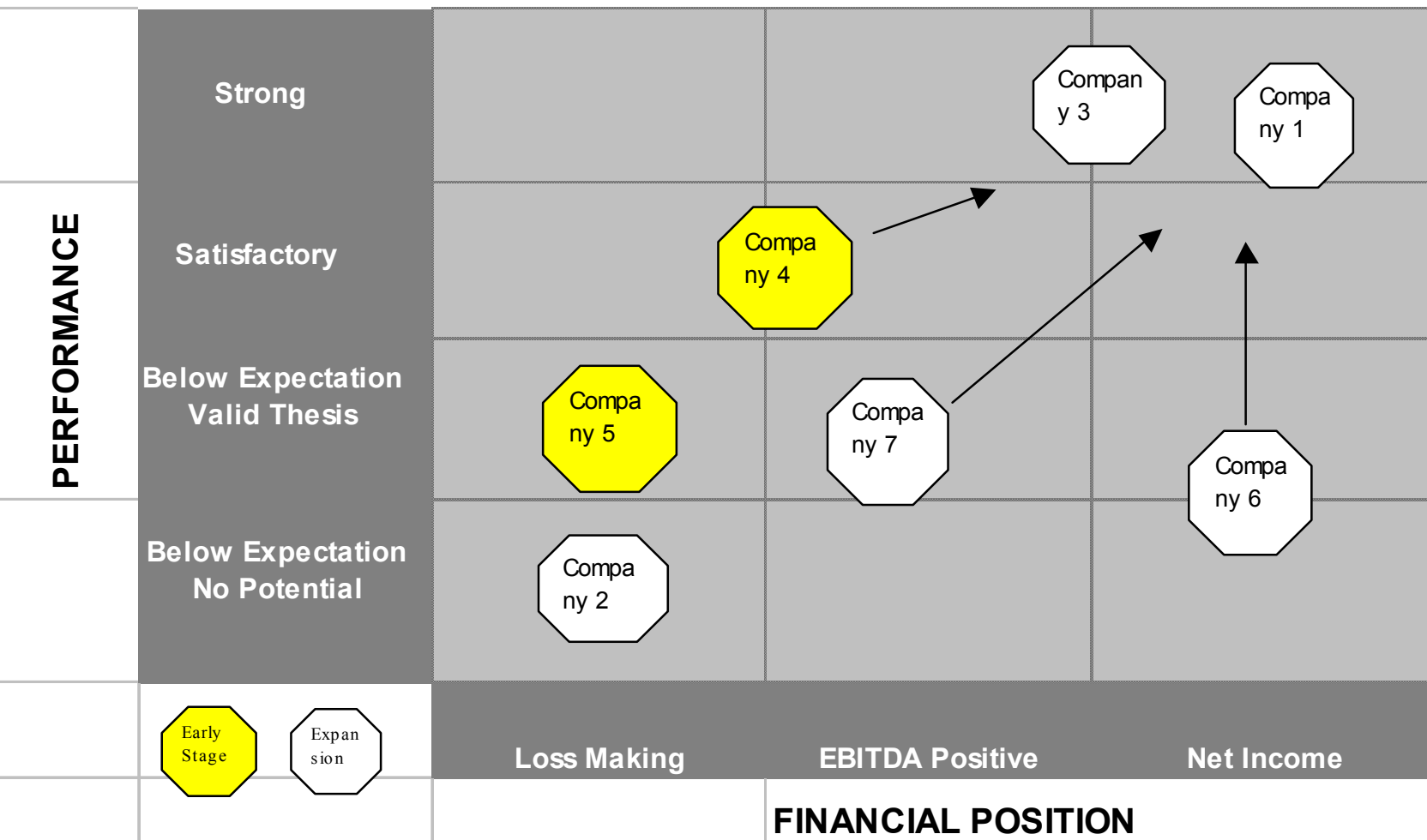
Fund Economics

Currency: USD

Commitments	2000	2001	2002	2003	2004	2005
Committed Capital	47,300,000	47,300,000	47,300,000	47,300,000	47,300,000	47,300,000
Drawn Capital	20,000,000	30,000,000	37,000,000	47,300,000	47,300,000	47,300,000
Undrawn Capital	27,300,000	17,300,000	10,300,000	0	0	0
Invested Capital	10,500,000	24,400,000	30,600,000	35,800,000	35,800,000	35,800,000
Performance						
Draw Capital	20,000,000	30,000,000	37,000,000	47,300,000	47,300,000	47,300,000
Returned Capital					7,000,000	10,000,000
Unreturned Capital	20,000,000	30,000,000	37,000,000	47,300,000	40,300,000	30,300,000
Fair Market Value						
Investment 1	3,000,000	3,000,000	3,000,000	4,800,000	sold	sold
Investment 2	5,000,000	5,000,000	5,000,000	5,000,000	write-off	write-off
Investment 3	2,500,000	2,500,000	2,500,000	3,500,000	5,000,000	sold
Investment 4		5,000,000	5,000,000	5,000,000	10,300,000	10,300,000
Investment 5		5,400,000	5,400,000	6,000,000	5,500,000	5,500,000
Investment 6		3,500,000	3,500,000	4,500,000	7,000,000	7,000,000
Investment 7			6,200,000	7,000,000	5,000,000	5,000,000
Total Investment	10,500,000	24,400,000	30,600,000	35,800,000	32,800,000	27,800,000
Current Assets	9,250,000	3,500,000	2,800,000	3,000,000	1,000,000	800,000
Liabilities	701,000	80,000	200,000	70,000	70,000	60,000
NAV	19,049,000	27,820,000	33,200,000	38,730,000	33,730,000	28,540,000
Surplus (Deficit)	(951,000)	(2,180,000)	(3,800,000)	(8,570,000)	(6,570,000)	(1,760,000)
Surplus (Deficit) / Drawn	-4.76%	-7.27%	-10.27%	-18.12%	-13.89%	-3.72%



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- Required Information:
 - Company name and all related “nicknames”
 - Status: (investing, developing, maturing)
 - Investment Thesis prior to Invest
 - **Investment Thesis as of Today (Is it still valid?)**
 - Current Vs Original Plan presented to IC
 - Summary of Main Events

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- Required Information:
 - **Business Strategy**
 - **Exit Strategy**
 - Financial Highlights
 - Valuation and Valuation Basis (DCF, Multiples, Recent Capitalization)
 - **Fund Management Company's value-added**
 - Outlook

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- **Developmental Impact Data:**
 - **Financial Indicators:**
 - IRR
 - **Economic Indicators:**
 - Direct Employment Creation
 - Employment Sustained and Indirect Employment Creation
 - Technology Transfer
 - Training
 - Net Currency Effects (i.e. Exports)
 - Diversification of the Local Economy



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- **Developmental Impact Data:**
 - **Environmental Indicators:**
 - Compliance with National Standards
 - Compliance with MIF Standards
 - Environmental Management Certificates
 - Technical Assistance (IIC Training)
 - **Social Indicators:**
 - Compliance with Core Labor Standards
 - Impact on Gender, Minority or Disadvantaged Groups
 - **Governance/Institutional Indicators:**
 - Seats on the Board of Investees and Contribution



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Starting 2007 and with Steve Wilson's collaboration, the MIF is embarking on the writing and publication of a book on Venture Capital in Latin America.

The book will attempt to convey the role of the MIF in its support for creating and developing the industry, as well as the lessons learned and success stories of your funds.

We will need everybody's collaboration!