

Annex D
Sample 2007 Business Plan

NOTE: This business plan (the “Plan”) is to be read in conjunction with the Final Report on the Mexico Investment Catalyst Fund (the “Report”). The Plan is a sample plan that incorporates recommendations made in the Report. A final business plan should reflect the policy decisions adopted by the MCIC Board.

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Background

The development of the seed and venture capital industry in Mexico is a priority for the Government of Mexico, supporting three key pillars of the financial policy framework defined by the Fox Administration: private sector involvement, small- and medium-sized enterprise development, and decentralization. Mexico's public development banks have spearheaded efforts to capitalize venture capital and private equity funds, supporting the development of locally based activity in coordination with state governments and multilateral institutions.

To accelerate the growth of the venture capital and private equity industry, the Federal Government has launched the Mexico Capital Investment Corporation (MCIC) with the participation of Nacional Financiera (NAFIN), Bancomext, Banobras, and Fondo de Capacitacion e Inversion del Sector Rural (FOCIR). The initial investment of these institutions is designed to:

- Attract new levels of private capital from national and international investors.
- Multiply the effect of the government's investment.
- Increase the competitiveness of the industrial, commercial and service sectors by augmenting the flow of capital resources towards these activities.
- Generate positive returns available for reinvestment.
- Enable other public and private national and international investors to support local entrepreneurs by investing in venture capital and private equity funds.

MCIC serves as the coordinating institution by which federal resources are committed to this strategy. MCIC is one component of a comprehensive set of initiatives pursued by the Federal Government to build the venture capital industry in Mexico. In February 2005 the Mexican Ministry of Finance announced the creation of MCIC as an independent incorporated entity. The four development banks each contributed in-kind their total private equity assets comprised of 36 existing funds valued at approximately \$175MM (peso equivalent). The investors received common shares representing the pro-rata value of their respective contributed assets.

In August 2006 the transfer of assets was finalized. The private equity staff of NAFINSA has been transferred to a separate new corporation, the Administrator, which serves as the administrator and fund manager for MCIC.

Mission

The mission of the Mexico Capital Investment Corporation is to catalyze the growth of a robust venture capital and private equity industry in Mexico that achieves international standards of excellence and result in the significant potential to expand and diversify the economy of the nation.

Vision

MCIC encourages and supports the growth of a broadly diversified and sophisticated financial industry capable of providing the forms of risk capital required by Mexican entrepreneurial companies from early stage start-ups to later stage expansions and buy-outs.

MCIC operates as a Fund of Funds (FOF), and its administrative arm, the Administrator, serves as a professional fund of funds management firm. This 2007 Business Plan contemplates formation of three FOF portfolios, the first in 2006 with committed capital of \$290MM, the second in 2008 with committed capital of \$300MM, and the third in 2012 with committed capital of \$500MM.

The investment of FOF assets is expected to result in over \$6 attracted to Mexico businesses for every \$1 committed to PE/VC funds. The increase in the capital base will support the growth of companies that are the engines of economic expansion.

MCIC manages risk through a prudent investment strategy. FOF assets are allocated to sectors that have the potential to generate optimal returns, while diversifying appropriately by stage of business development, style of management, vintage year, and geography.

The cash surplus generated through disciplined investment will provide an on-going resource for building the venture capital and private equity industry in Mexico.

Operating Principles

The MCIC program is based on principles that emphasize the use of experienced fund managers and international best practices. In attracting international investors to the region and building new capital companies within the region, ones that will endure for many years, there is no substitute for a careful investment process that seeks the best talent available to serve the needs of Mexico businesses. The following are basic principles pursued by MCIC:

- Risk capital is necessary to generate and support the growth of entrepreneurial firms, which in turn create jobs and provide economic growth.
- Risk capital is best provided and managed by qualified, professional investment groups.
- A responsive public program can demonstrate to potential investors the high level of commitment Mexico has for entrepreneurial ventures.
- The pursuit of a market rate of return provides the best discipline for using limited resources to generate the greatest economic impact.
- The risks of making venture capital investments can best be managed by diversification through a number of investments in separate venture capital and private equity funds with proven track records.
- The successful targeting of venture investments to the region requires the careful selection of fund managers who can demonstrate the ability to successfully invest in economic sectors that are indigenous to or developing within Mexico. Such managers must commit to marketing their resources aggressively, to being highly visible to their primary markets in Mexico and to taking actions that help build the permanent presence of venture capital and private equity investment talent in Mexico.

Asset Allocation Targets

It is MCIC's intention to catalyze the formation of risk capital from early stage seed capital through later stage expansion capital and buyouts. In its first portfolio MCIC is committing approximately \$290 million to funds. Of this, \$176MM is already deployed through the legacy funds, and \$114 will be invested in new funds that provide venture capital, expansion and growth capital, and capital for buyouts in generally the following ranges:

Asset Class	Potential Range
Early Stage/ Venture Capital	5 – 10%
Growth/ Expansion	50 – 70%
Buyout	20 – 40%

Since seed-stage companies are very small and buy-out candidates can be very large, the number of companies served in each category will be more balanced.

Until such time as MCIC determines otherwise, these percentages will serve as approximate targets across its portfolio of investments. The allocation plan may be modified from time to time based on unique opportunities and perceived shifts in the market demand for capital.

Investment Objectives

The investment objectives of MCIC include:

- The highest possible risk adjusted rate of return as measured by cash on cash returns net of all fees, expenses and carried interests.
- A reasonable diversification among investments within the total MCIC portfolio.
- A limited life structure that aligns fund management, general partner and limited partner interests and goals.
- A distribution policy that returns cash to limited partners as rapidly as possible given the nature of the underlying portfolio.
- An allocation policy that minimizes tax consequences.
- A structure that recognizes MCIC's regulated investor status.

Strategic Objectives

The strategic objectives of MCIC include:

- The expanding presence of the highest quality professional fund management working in Mexico.

- A positive public image coupled with aggressive deal prospecting and fund promotion in Mexico.
- At least \$2 attracted to Mexico projects for every \$1 invested by MCIC in funds. This objective will be achieved by portfolio funds investing in Mexico companies and attracting syndicate partners to these investments.
- A focus on sectors of strength in Mexico.
- A coordinated government effort in matters related to venture capital.
- The expansion of national and international private investors committed to Mexico private equity.
- The creation of new venture capital funds residing in Mexico.
- A significant positive impact on the national economy.

By focusing on sectors of strength and clusters of world-class talent, MCIC will optimize financial returns while selecting for the companies that are most likely to produce strong developmental impacts.

Capitalization

MCIC is capitalized by the four development banks of Mexico and operates as a fund of funds. MCIC expects to raise a second fund of funds in 2008 and a third in 2012.

Fund of Funds I

The first Fund of Funds (FOF I) has two parts, a Legacy Portfolio and a New Portfolio.

The Legacy Portfolio is comprised of 36 funds contributed by NAFIN, Bancomext, Banobras, and FOCIR. The investors received common shares representing the pro-rata value of their respective contributed assets.

The New Portfolio is capitalized by NAFIN at \$114MM of new money in 2006 and 2007 in exchange for common shares at a value to be determined by the MCIC Board. New investments are being made in 2006 and 2007 with this fresh capital.

Fund of Funds I is an evergreen fund for so long as the corporation remains in existence (initially targeted for liquidation in 2026). Distributions from portfolio funds will be reinvested to the extent practical.

Fund of Funds II

The second Fund of Funds, FOF II, is scheduled for launch in 2008. It will be structured according to international standards for a limited life fund of funds. Capitalization of \$300MM is targeted. Of this amount, NAFIN is willing to consider \$136MM of new money. The other three shareholders are expected to contribute new money or capital recycled from FOF I distributions.

MCIC will seek to gain outside strategic investors for the first time. Multilateral institutions, like the Multilateral Investment Fund (MIF) of the Inter-American Development Bank and Corporación Andina de Fomento (CAF) are the two most likely candidates. MIF has expressed a willingness to consider contributing existing Mexico-domiciled venture fund assets in-kind and CAF is willing to consider committing to regional fund of funds structures.

Fund of Funds III

By 2012 MCIC will have an established track record from the liquidation of its legacy portfolio and preliminary returns from the new investments in FOF I. Systems will be in place to manage capital from third party financial investors, such as pension funds both within and outside of Mexico. Capitalization of \$500MM will be targeted from existing and new investors. MCIC shareholders, committing through their evergreen fund, will remain significant investors in the range of 405% of total capitalization.

Organization

MCIC is structured as a private company under the General Law of Commercial Companies (Arts. 87-206) and the law for Credit Institutions (Art. 75)

There are four original shareholders, NAFIN, Bancomext, Banobras, and FOCIR, each a government-owned development institution.

The shareholders have also established the Administrator, which serves as the contracted manager of MCIC. As described above, MCIC was launched with a legacy portfolio, contributed in-kind from the original shareholders. These assets and additional fund investments by MCIC in 2006 and 2007 constitute Fund of Funds 1. In 2008 MCIC will form Fund of Funds 2, a separate limited life entity, and in 2012 MCIC will form Fund of Funds 3, also a separate limited life entity. Other institutional investors may invest in FoF2 and FoF3.

Board

MCIC is governed by its Board of Directors. The Board has eight members, one representing each of the four original shareholders and four independent directors. Independent directors must meet certain requirements and are proposed by the shareholders who appoint them after a resolution adopted by affirmative vote of the majority of shares representing share capital. Each director has one vote.

The board is presided over by the member who represents the largest investor (Nafin). The presiding member has a superior vote in case of a tie.

A majority vote of directors is required for adopting resolutions on most matters, including creation of committees and designation and removal of members.

The Board is responsible for defining investment strategies and policies, and approving key investments. An affirmative vote of the majority as well as affirmative vote of at least two independent advisors is necessary for approval of MCIC investments. Each investment must first be proposed to the Board by the Administrator. When FoF2 and FoF3 are formed as separate

limited life entities, the Board's investment decision will be limited to approving the commitment of MCIC to invest in these entities. The subsequent decisions of FoF2 and FoF3 to invest in funds will be made by the Administrator.

Fund Management

The Administrator serves as the fund manager of MCIC and related fund of fund entities spawned by MCIC. The main duties of the Administrator are:

- Identify Fund investment opportunities.
- Present investment opportunities to the Investment Committee of the Administrator, and subsequently to the MCIC Board of Directors.
- Negotiate and close each investment.
- Monitor investments.
- Safely manage MCIC financial resources that have not yet been invested.
- Build the public image of MCIC among fund managers, institutional investors, and stakeholders.
- Support efforts to build a robust entrepreneurial environment in Mexico.

The Administrator has been staffed initially by the transfer of NAFIN's private equity group. Additional positions will be filled by through recruitment.

Advisors

MCIC employs outside legal counsel.

MCIC may engage consultants and investment advisors. If employed, these will be retained through the Administrator.

An annual financial audit will be performed of MCIC, the Administrator, and related entities.

Marketing

Deal Generation

MCIC already has significant deal flow. However, MCIC wants to know not just those firms that approach MCIC, but also the universe of firms that could provide MCIC with an exceptional portfolio. To this end, MCIC will conduct research to learn of fund management teams that could fit the MCIC investment strategy. The investment team will catalog these firms, track their fund raising cycles, and make contact with those firms that appear to have the greatest potential for the MCIC portfolio.

Image

To help accomplish its role as a catalyst of the Mexico VC/PE industry, MCIC will maintain high visibility among fund managers and institutional investors both within and outside of Mexico, and the business development community within Mexico. This will be done by sponsoring venture capital and entrepreneurial events, attending these events, and gaining opportunities to present the MCIC story, explaining the role of the funds of funds within Mexico's entrepreneurial ecosystem.

Information Technology and Systems

MCIC is committed to implementing an effective, user-friendly information technology (IT) system. MCIC has inherited systems from the four original shareholders, none of which provide a comprehensive private equity fund management system. The Administrator is investigating specialized software products for this purpose, as well as the benefits of building a customized IT platform. The system will enable the Administrator to track the following:

- Status/performance of each fund (e.g. capital committed, drawn down, invested, realized, distributed; IRR and multiples).
- Aggregate roll-up of status/performance of program portfolio.
- Program portfolio diversification (e.g. by vintage year, investment strategy, sector).
- Program portfolio annual cash flows, actual and projected.
- Compliance of each fund with contractual requirements.
- Contacts manager/directory of fund contacts.
- Forward calendar of fund manager fundraising cycles.
- Customized reports derived from filtering, grouping, subtotaling database entries.

Near Term Objectives and Performance Standards

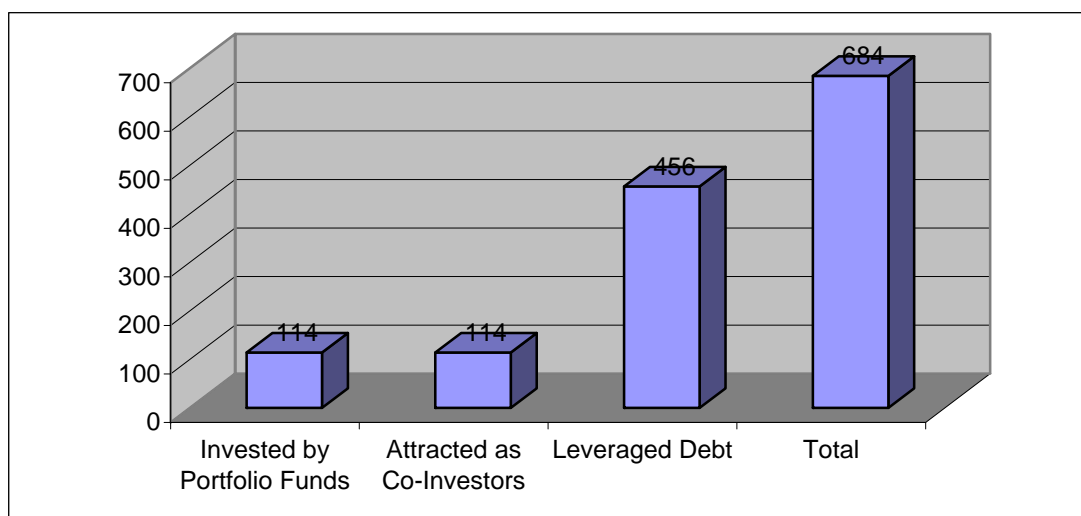
MCIC, largely through the Administrator, will implement the following in 2007:

1. Evaluate the options for building a comprehensive IT system, and select, purchase and implement this system.
2. Integrate and systemize the methods for maintaining legal and financial documents of the Corporation and its portfolio investments.
3. Supervise, control and carry out the system for making contributions to and receiving distributions from portfolio funds.

4. Monitor, evaluate, and report on MCIC investments.
5. Prepare shareholder reports.
6. Launch a market research program to identify the universe of fund managers who could be candidates for the MCIC portfolio. Identify and catalog 100 fund management teams.
7. Recruit and evaluate VC/PE funds that meet MCIC standards.
8. Close on new fund commitments in 2006 and 2007 that enable MCIC to complete building the New Portfolio in FoF1 (an estimated US\$114MM).
9. Launch a strategy for supporting local and national initiatives to build the entrepreneurial environment in Mexico, fully committing the 2007 budget adopted for this strategy. Survey the existing programs delivered by organizations, including venture forums, networking meetings, training events and formal educational programs. Select for support those considered most effective.
10. Design a new limited life entity to serve as FoF2.
11. Collaborate with national and international associations in the promotion of the Mexico VC/PE industry.

Targeted Long Term Development Impact

It is anticipated that MCIC will generate a significant amount of capital for Mexico businesses. My investing in VC/PE funds that focus in Mexico, by attracting syndicate partners to local investments, and by enabling local companies to leverage new equity with new debt, MCIC is expected to attract at least \$6 to local companies for every \$1 it invests in funds. For example, the New Portfolio of FoF1, by committing \$114MM to funds, is expected over time to attract at least \$684MM to Mexico companies.



Operating Budget

Please refer to Annex C of the Report.

In the model the Administrator is provided a budget for managing the FoF. In practice the Administrator is reimbursed its actual costs. It is reasonable to assume the cost of this service to CMIC will approximate the amount of a typical management fee for a FoF Manager, or 1% of committed capital, reduced in out years based on cost of assets less liquidations.

Financial Projections

Please refer to Annex C of the Report for pro forma statements of profit and loss, cash flow, and balance sheet.