

**MEXICOVENTURES****General Investment Guidelines**

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Mexico Ventures I LP (hereinafter the “Fund” or “Mexico Ventures”) is a fund created to invest in leading innovation and entrepreneurial capital funds and direct co-investment opportunities within Mexico, the U.S. and the surrounding region. The goal of the Fund is substantial long-term capital appreciation for its limited partners with an anticipated derivative effect of expanding the quality and quantity of professional fund managers in Mexico. Mexico Ventures is the first institutional fund of funds of its kind in Mexico and has to date successfully completed a first closing of \$80 million USD. The Fund is co-managed by the Corporación Mexicana de Inversiones de Capital, S.A. de C.V. and Sun Mountain Capital with offices in Mexico and the United States. Our strategy is to source compelling investment opportunities (both funds and direct investment) in our target region, thoroughly evaluate the opportunities based on our rigorous institutional due diligence process, and in doing so, build a diversified portfolio by stage (seed, venture, and growth stage capital), sector (e.g. technology, telecom, media, etc.) , manager, vintage year, and geography.

Accordingly, we invite private equity and venture capital fund managers as well as individual companies to submit their application proposal to Mexico Venture I, LP for consideration.

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**Assessment Criteria**

The following investment criteria and guidelines must be provided and/or demonstrated in order to be considered for investment:

**1. Team; Knowledge and Experience**

- 1.1 Operation and hands-on experience on the sectors
- 1.2 High level of expertise reviewing investments
- 1.3 Performing a complete due diligence process
- 1.4 Structuring, negotiating and executing private equity terms and conditions
- 1.5 Operation and monitoring of investments (accounting, legal, tax, etc.)
- 1.6 Investing in similar types of transactions with a demonstrable track record of doing so (*track record data will be required--we are looking for experienced managers that have at least completed one complete investment cycle, either privately or in another firm*)
- 1.7 Depth of team; How many people comprise the team and for how long have they worked or done business together (each fund will be required to provide a reference list of other investors, former employers, clients, etc.)
- 1.8 Team dynamics/stability, including a review of the overall compensation formula for each member as a measure of alignment of interests

**2. Investment Strategy**

- 2.1 Credible investment thesis supported by knowledge and experience in the sector
- 2.2 Clear identification of target business sector
- 2.3 Define range of investment per company

- 2.4 Diversification objective; No more than 25% in one investment and 25% by sector if the fund is not sector focused-fund
- 2.5 Stage of development of potential target companies
- 2.6 Co-Investment opportunities; If any and how would they operate
- 2.7 Deal Sourcing; How are investment opportunities going to be found
- 2.8 Ability to generate pipeline under the same investment rationale
- 2.9 Investment terms and conditions – How will the fund structure its investments (e.g. equity, convertible notes, etc.)
- 2.10 Commitments will not be made in funds that intend to use the capital in controversial moral sectors or does not meet general environmental and social responsibility principles
- 2.11 No investments in financial sector companies, understanding it as companies such as banks, leasing, mortgages, etc.

### **3. Financial Terms**

- 3.1 Target financial return
- 3.2 Management fees and budget, including waterfall
- 3.3 Preferred return and carried interest distribution
- 3.4 Management commitment or investment to the fund
- 3.5 Manager should consider making their investment contributions based on portfolio company milestones.

### **4. Internal Controls & Reporting**

- 4.1 Reporting and monitoring (report content, frequency and method of collection)
- 4.2 Operational focus; what role does the fund takes in the companies and what is the level of participation
- 4.3 Transparent and audited financial returns and investor reporting practices
- 4.4 Quarterly and yearly portfolio reporting standards within each investment made by the fund
- 4.5 Performance - total rate of return, earnings, cash flow and changes in market value
- 4.6 Specification of internal controls to prevent losses arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of entity
- 4.7 Fund managers will have restrictions over investing in portfolio companies from previous funds.

### **5. Sources of Private Capital**

- 5.1 Marketing plan and fund raising road map
- 5.2 Commitments from private and institutional investors of at least 20% of its intended fund size
- 5.3 Viable plan for raising the appropriate level of funding (Mexico Ventures will not exceed 20% of a given fund, nor should any single investor represent more than 30% of the fund)
- 5.4 The targeted Fund must be targeting capital commitments of at least \$15 million USD
- 5.5 Final closing within one year of a Mexico Ventures commitment
- 5.6 Mexico Ventures should be invited to the advisory board and might ask to participate in the investment committee as non-voting member.

### **6. Other Investment Criteria - Direct Investments**

- 6.1 Innovative company
- 6.2 Global market opportunity
- 6.3 Clear growth potential
- 6.4 Experienced management team
- 6.5 Non-lead investor—Mexico Ventures must co-invest alongside a private capital sponsor

6.6 Max: No more than 50% of a given round/security offering, up to a maximum of \$5 million USD

6.7 Min: \$500,000 USD (does not apply to any follow-on rounds)

In addition to the above listed investment criteria, any fund or company obtaining an investment from Mexico Ventures will be required to complete the following chart and update it annually.

	Committed	Invested
<b>Capital</b>		
Managers		
Private Mexican Investors		
Foreign Private Investors		
Institutional Mexican Investors		
International Institutional Investors		
Foreign Funds		
<b>Fondo de Fondos CE</b>		
Co-Investment		
CO-Investment with foreign funds		
Debt		
<b>Total Capital</b>	\$0.00	\$0.00

	Entry	Reported
<b>Multiplier effect</b>		
Equity		
Leverage		

	Entry	Reported
<b>Valuation</b>		
Valuation		
Recovered		

	Number of Investments	Total Invested
<b>Industria</b>		
Health		
Biotechnology		
Energy		
Housing/Construction		
Information Technology		
Tourism		
Media & Entertainment		
Electronics/Software		
Telecommunications		
Transportation & Logistics		
Design & Manufacturing		
Agriculture		
Mining		

	Number	Average Salary
<b>Employees</b>		
Managements		
Operations		
Research & Development		
Administration		

	Budget	Real
<b>Performance</b>		
Revenue growth (%)		
EBITDA growth (%)		
ROE		

	Before	Actual
<b>Operation (% of Total)</b>		
Meets business plan		
Delivers Financial information		
Activity report		

	Expected	Real
<b>Intellectual property</b>		
Patents		
Brands		

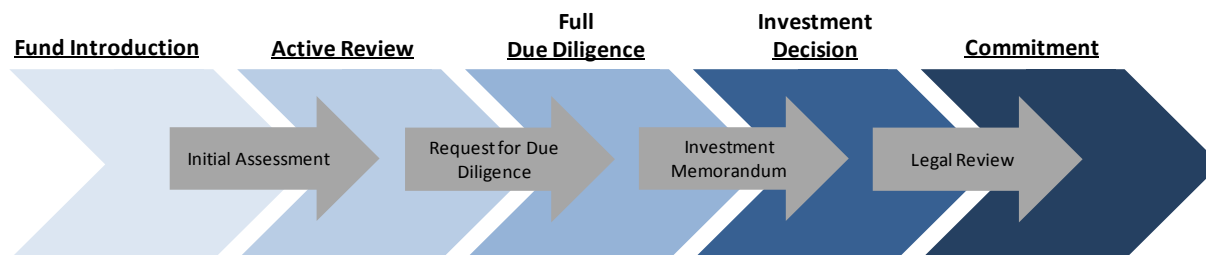
	Before	Actual
<b>Type of Investment</b>		
Seed		
Early		
Growth		
Co-investment		

	City	Number of investments
<b>Place</b>		
Mexico City		
Monterrey		
Guadalajara		
Boston		
San Francisco		
Dallas		

**Opportunity Review Process**

Mexico Ventures employs a rigorous due diligence process predicated on international institutional best practices. At a high level, the following diagram specifies the process by which the Fund will filter the application process:



All applicants for consideration should note that the process takes time, and will require several diligence requests, completion of a full due diligence questionnaire, onsite visits, references calls, background checks and in-depth analysis of prior deals and team structure.

To begin the process, qualified candidates for review must present a letter summing their pitch book and PPM attached. Funds will be reviewed in the order in which we receive them. All decisions of the Mexico Ventures Investment Committee are binding and cannot be appealed.

Please contact:

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