

## **PART 2A OF FORM ADV: FIRM BROCHURE**



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**June 21, 2011**

**This brochure provides information about the qualifications and business practices of MicroVest Capital Management, LLC (“MicroVest”). If you have any questions about the contents of this brochure, please contact us at 301.664.6680 and/or [csmith@microvestfund.com](mailto:csmith@microvestfund.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about MicroVest also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**MicroVest is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

The prior version of this Brochure, dated September 30, 2011, was MicroVest's first version. The only material change to be noted in this Brochure is a change in MicroVest's business address from 7514 Wisconsin Avenue, Suite 400, Bethesda MD 20814 to 7315 Wisconsin Avenue, Suite 300W, Bethesda MD 20814.

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## ITEM 4 – ADVISORY BUSINESS

### 4.a. Description of the advisory firm.

MicroVest Capital Management, LLC (“MicroVest”) was founded in 2003 and became a SEC registered investment adviser on August 12, 2010.

MicroVest is wholly owned by MicroVest General Partner Holding Company, LLC (the “Holding Company”). The Holding Company is owned by four not-for-profit entities: (i) Cooperative for Assistance and Relief Everywhere, Inc. (“CARE”); (ii) Mennonite Economic Development Associates (“MEDA”); (iii) Seed Capital Development Fund (“SCDF”); and (iv) Cordes Foundation. The Holding Company also owns all of the equity of MicroVest Capital General Partner, LLC (the “GP I”), MicroVest General Partner II, LLC (the “GP II”), MicroVest General Partner SD, LLC (the “GP SD”) and MicroVest General Partner Plus, LLC (the “GP Plus”); and collectively the “GPs”. All investment activities related to the GPs are conducted pursuant to MicroVest’s procedures and any disclosures related to those activities are included in this Form ADV.

MicroVest provides investment advisory services to its clients which include: (i) private investment funds (the “Private Investment Funds”); (ii) a collateralized debt obligation (the “Trust”); and (iii) other accounts which include charitable organizations or other private investment funds not controlled by the Holding Company (the “Accounts”). The Private Investment Funds, the Trust and the Accounts are collectively referred to as “Advisory Clients”.

The Private Investment Funds include:

- MicroVest I, LP (“MVI”), a Delaware limited partnership – *It should be noted that MVI is no longer accepting new subscriptions and is in the process of liquidating.*
- MicroVest II, LP (“MVII LP”), a Delaware limited partnership
- MicroVest II-A, LP (“MVII-A”, a Cayman Islands’ exempted limited liability partnership and together with MVII LP, “MVII”) - *It should be noted that MVII is no longer accepting new subscriptions. In addition, MVII LP invests all of its investable assets in MVII-A through a master feeder fund structure.*
- MicroVest Short Duration Fund, LP (“MVSD LP”), a Delaware limited partnership
- MicroVest Short Duration Fund, Ltd. (“MVSD LTD”), a Cayman Islands’ exempted company and together with MVSD LP, “MVSD”. - *It should be noted that MVSD LTD invests all of its investable assets in MVSD LP through a master feeder fund structure.*
- MicroVest+Plus, LP (“MV+Plus LP”), a Delaware limited partnership
- MicroVest+Plus Offshore Fund, Ltd. (“MV+Plus Ltd”) a Cayman Islands’ exempted company and together with MV+Plus LP, “MV+Plus” - *It should be noted that MV+Plus is expected to launch on or about October 1, 2011 and will serve as a follow-on fund to MVI. In addition, MV+Plus Ltd. invests all of its investable assets in MV+Plus LP through a master feeder fund structure.*

Each of the Private Investment Fund’s respective GP has an Investment Committee comprised of officers of MicroVest, members of the Board of Directors of the Holding Company and of the GPs or other independent individuals who are experts in the fields of finance, investment banking, private equity or microfinance, as selected by the GPs, from time to time. Certain of these independent members are affiliated to MEDA, CARE and the Cordes Foundation. The relevant Investment Committee must approve each investment made by the Private Investment Funds and shall be responsible, together with MicroVest, for the implementation of the investment objectives and policies thereof.

#### **4.b. Description of the type of advisory services offered.**

MicroVest provides investment advisory services to its Advisory Clients. MicroVest's investment strategy, in general, is focused on being a capital mobilizing intermediary seeking to provide debt and equity capital to low-income finance institutions ("LIFIs") and other organizations providing financial services to populations at the bottom of the economic pyramid ("pro-poor finance institutions") around the world. The Advisory Clients will generally invest in LIFIs or in funds or entities that invest in or extend credit to microfinance institutions ("MFIs"), microenterprises, microentrepreneurs, small and medium scale businesses, and low-income individuals.

**MVI** may invest in the securities of MFIs including: certificates of deposit; medium-term (2-3 years) and long-term (4-5 years) senior loans; senior debt securities (bonds or notes); subordinated convertible debt investments; preferred debt investments; preferred equity investments; subordinated debt investments which include the provision of MFI stock warrants; and common and preferred equity.

**MVII** may make investments in, including secondary offering of, common shares, preferred shares, other quasi-equity instruments, or debt instruments issued by MFIs or other pro-poor finance institutions (which may include remittance companies, leasing companies and other financing vehicles in developing countries).

**MVSD** may provide short- and medium-term debt financing and term deposits to LIFIs, which include MFIs, small and medium enterprise ("SME") banks and other regulated or unregulated financial institutions in emerging and developed markets, including the U.S.

**MV+Plus** intends to invest in a diversified mix of instruments issued by financial institutions serving populations at the bottom of the economic pyramid (LIFIs), including MFIs, SME banks and other regulated or unregulated pro-poor financial institutions, including: certificates of deposit and similar term deposit instruments ("CDs"); senior loans, notes or bonds, from 1-5 years term, generally requiring periodic payments of principal and interest; equity-linked or equity-like debt instruments, including subordinated debt, convertible debt, income participation notes, or fixed coupon, redeemable preferred shares; and equity investments in common or preferred shares.

Although MicroVest's investment advice is generally limited to these types of investments, it has broad and flexible investment authority (in conjunction with approval from the relevant Investment Committee) with respect to the Private Investment Funds. Each Private Investment Fund's structure, investment objective and strategy are set forth in a confidential private offering memorandum provided to each investor in the relevant Private Investment Fund.

The Trust's and the Accounts' investment objectives and the types of investments that such portfolios will hold are individually negotiated and established between MicroVest and the Trust/Account.

#### **4.C. Tailoring of advisory services**

In the case of the Private Investment Funds, MicroVest neither tailors its advisory services to the individual needs of the investors in the Private Investment Funds, nor accepts investor-imposed investment restrictions. In the case of the Trust and the Accounts, MicroVest has tailored the investment objectives to the specific objectives/restrictions of the Trust and or Account and has individually negotiated the terms and fees, which are different than the terms and fees of the Private Investment Funds.

It should also be noted that any Trust/Account relationship is generally subject to significant account minimums.

MicroVest and the GPs may, in their sole discretion, offer to one or more investors (including, without limitation, strategic investors and unaffiliated financial investors), the opportunity to co-invest with certain of the Private Investment Funds in certain transactions.

It should be noted that MVII, MVSD and MV+Plus may enter into separate agreements with certain investors allowing such investors to invest on different terms than those described in the respective Private Investment Fund's offering memorandum, including without limitation, with respect to fees or liquidity provided to such investors. In addition, MVII, MVSD and MV+Plus may offer certain investors additional or different information and reporting than that offered to other investors.

#### **4. D. Wrap fee programs**

MicroVest does not participate in wrap fee programs.

#### **4.E. Client assets under management**

As of July 31, 2011, MicroVest manages \$120,523,000 of Advisory Client assets on a discretionary basis and \$19,946,000 of Advisory Client assets on a non-discretionary basis, each including undrawn capital commitments.

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## **ITEM 5 – FEES AND COMPENSATION**

#### **5.A. and B. Description of compensation and fee payments**

The fee schedules for the Private Investment Funds vary and are described in detail in each respective Private Investment Fund's offering memorandum and limited partnership agreement. A summary of the fee schedules are:

**MVI** – *It should be noted that MVI is no longer accepting new subscriptions and is in the process of liquidating.*

**Management Fee:** During the period January 1, 2004 to January 1, 2005 MicroVest was paid a an annual aggregate fee of \$600,000 and during the period January 1, 2005 to January 1, 2006 MicroVest was paid an annual fee of \$700,000. After January 1, 2006, MicroVest is entitled to a fee equal to the product of 3.5% (the "Fee Percentage") multiplied by the aggregate value of MVI's investments (determined solely on the date on which each such investment was consummated), plus all cash, interest-bearing accounts and/or certificates of deposits of any bank (the "Fee Base"); provided, however, if the Fee Base exceeds \$20 million, the Fee Percentage shall be reduced as set forth below.

<b>Assets</b>	<b>Fee Percentage</b>	<b>Fee Base</b>	<b>Average Fee Percentage</b>
First \$20 million	3.50%	\$0-\$20 million	3.50%
Next \$20 million	2.50%	\$20-\$40 million	3.00%
Next \$10 million	1.50%	\$40-\$50 million	2.70%
Next \$10 million	1.00%	\$50-\$60 million	2.42%
Over \$60 million	0.25%	\$60 million or over	2.11%

The Fee Percentage described in item above is an annual fee, computed pro-rata on the last business day of each quarter. MVI shall pay the pro-rata fee to MicroVest, for any given calendar quarter, on or before

the 30<sup>th</sup> day of the next calendar quarter. During the period January 1, 2004 to January 1, 2006 the fee was paid monthly, pro-rata, on or before the 15<sup>th</sup> day of each month.

**Loan Based Fees:** MicroVest may receive fees paid by recipients of MVI's investments in connection with originating, coordinating and managing investments, to the extent such Loan-Based Fees exceed the cost to MicroVest of performing the associated services associated. MVI reimburses MicroVest for the direct, out-of-pocket costs incurred for performing the associated services as soon as reasonably practicable upon MVI's receipt of such Loan Based Fees.

**Payments to the GP I:** The GP I is entitled to 20% of distributable cash after the investors have received aggregate distributions equal to the sum of a) their total funded capital commitments, plus b) simple interest equal to 3% APR calculated on funded capital commitments outstanding during the period from January 1, 2004 through December 31, 2005, plus c) the product of such aggregate funded capital commitments multiplied by 5% simple annual. Such payments will be made to the GPI from regular distributions to the partners.

**MVII** – *It should be noted that MVII is no longer accepting new subscriptions.*

**Management Fee:** MicroVest is entitled to fee of 2.25% of committed capital or aggregate cost basis of investments. From January 29, 2009 until December 15, 2012 (subject to a 1 year extension upon the consent of the GP II and those investors holding at least 67% of the Interests) the fee shall be 2.25% of the aggregate commitments from all investors (both MVII LP and MVII-A) per annum, regardless if then funded. Thereafter, the fee shall be equal to 2.25% per annum of MVII's aggregate cost-basis of investments held by MVII and not written down to zero; as determined as of the first calendar day of each semi-annual period. The fee is payable on or before January 2 and July 1 of each year; provided, however such fee for each semi-annual calendar period shall not be less than \$250,000.

**Investment-Based Fees:** MicroVest may be paid directly from MFIs in connection with originating, coordinating and managing investments of MVII, including (without limitation) origination fees, due diligence fees and other management fees (collectively the "Investment-Based Fees"). To the extent such Investment-Based Fees are received from the MFIs in which MVII invests, MicroVest shall pay such fees immediately to MVII. MicroVest shall retain Investment-Based Fees related to MFIs or deals in which MVII does not invest; provided that if the Investment-Based Fees exceed MicroVest's related costs, the excess will be paid to MVII.

**Payments to the GP II from MV II-A:** In addition to the Management Fee and Investment-Based Fees for MVII, the GP II is entitled to 20% of distributable cash after the investors in MV II-A have received a return of 8.5%. The GP II shall distribute proceeds from the disposition of its investments and extraordinary dividends received by MVII, less amounts reserved at the sole discretion of the GP II to pay fund expenses or invest in deals, within 30 days of receipt. The GP II will receive payment from MV II-A only after aggregate distributions to the investors exceed an amount equal to the sum of aggregated funded capital commitments, plus a compounded annual preferred return equal to 8.5% APR on the balance of the undistributed funded commitments, until such funded commitments are fully distributed to the investors.

## **MVSD**

**Management Fee:** MicroVest is generally entitled to a management fee at an annual rate of 1.5% of each investor's capital account as of the last business day of the month, payable monthly in arrears. However, if as of the last day of the applicable month, an investor has aggregate investments in MVSD and any other Private Investments Funds that meets a certain threshold, such investor will be charged a reduced management fee: (i) 1.45% of the investor's capital account if such investor has aggregate

investments of \$2 million or more; and (ii) 1.4% of the investor's capital account if such investor has \$5 million or more.

**MV+Plus** - *It should be noted that MV+Plus is expected to launch on or about October 1, 2011 and will serve as a follow-on fund to MVI.*

**Management Fee:** MicroVest shall be entitled to a management fee (the "Fee"), equal to 2.5% per annum of the aggregate cost basis value of MV+Plus's portfolio assets, (including any assets assigned from MVI assets), plus cash held in banks and other temporary investments. The Fee is payable quarterly in arrears, calculated on the last day of each calendar month in such quarter.

**Payments to the GP Plus:** The GP Plus is entitled to 20% of distributable cash after the investors have received an amount equal to the sum of aggregated commitments, plus a compounded annual return of 3% calculated on the undistributed balance of each investor's contributions. Such payments will be made at such time that distributions, in such amounts and at such times as the GP Plus determines, are made to investors.

As noted in Item 4.C above, MVII, MVSD and MV+Plus may enter into separate agreements with certain investors allowing such investors to invest on different terms than those described in the respective Private Investment Fund's offering memorandum, including without limitation, with respect to fees provided to such investors. As of the date of this Brochure, none of the Private Investment Funds have waived such fees.

The Trust and Account relationships are subject to terms that are individually negotiated between MicroVest and the Trust and the respective Account. A complete description of all fees for the Trust and the Accounts is disclosed within the relevant advisory or investment management agreement which is entered into by MicroVest and the Trust or Account.

**It is critical that investors refer to the relevant confidential private offering memorandum, explanatory memorandum and other governing documents for a complete understanding of how MicroVest is compensated. The information contained herein is a summary only and is qualified in its entirety by such documents.**

### **5.C. Description of other fees or expenses**

In addition to the fees described above, Private Investment Funds (and therefore Private Investment Fund investors) will also be subject to other costs and expenses related to such Private Investment Fund's activities. Such costs and expenses may include:

- Offering and organizational expenses (up to \$500,000 in the case of MVI and MVII; up to \$250,000 in the case of MVSD; and up to \$100,000 in the case of MV+Plus).
- Accounting fees, legal fees, custodial expenses, auditing expenses, appraisal expenses and other reasonable costs and expenses that are incurred in the operation of the Private Investment Funds.
- Fees, costs and expenses relating to investments, including the acquisition, holding and disposition thereof, including travel-related expenses and expenses related to organizing and maintaining entities through or in which investments will be made, including fees and expenses of the specified agent.
- Reasonable premiums for insurance protecting the Private Investment Funds, the GPs, any of its affiliates, and any of their respective officers, directors, members, partners, employees and agents from liabilities to third persons in connection with the Private Investment Funds' affairs.
- Taxes or other governmental charges payable by or on behalf of the Private Investment Funds.
- Costs of reporting to the investors



- Costs of winding up and liquidating the Private Investment Funds.
- MVI and MVII investors may pay interest fees with respect to defaulting capital call payments (equal to the prime rate plus 4% on the unfunded amount).

#### **5. D. Payment of fees in advance**

MicroVest clients do not pay fees in advance.

#### **5.E. Compensation for sales of securities**

MicroVest supervised persons do not accept any compensation for sale of securities or other investment products.

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### **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5.B above, MicroVest and certain of the GPs may receive performance-based compensation from certain of its Advisory Clients.

It should be noted that the possibility that MicroVest and certain of the GPs could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for MicroVest to effectuate larger and riskier transactions for those particular Advisory Clients than would be the case in the absence of such form of compensation. Further, MicroVest faces a potential conflict of interest in managing the Advisory Clients that are subject to performance-based fees alongside Advisory Clients that are not subject to such fees. MicroVest may have an incentive to favor the Advisory Clients for which it will receive this additional compensation over the Advisory Clients that are not subject to such performance-based fees.

MicroVest recognizes that it is a fiduciary and as such must act in the best interests of the Advisory Clients. Further, MicroVest recognizes that it must treat all Advisory Clients fairly and must refrain from favoring one Advisory Client's interests over another's. MicroVest regularly assesses the allocation of its resources, including investment personnel, among its Advisory Clients to ensure adherence to its fiduciary duties.

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### **ITEM 7 – TYPES OF CLIENTS**

MicroVest provides investment advisory services to pooled investment vehicles operating as private investment funds, a collateralized debt obligation; and separately managed accounts, which may include advisory contracts with charitable organizations.

Each investor in the Private Investment Funds must meet certain eligibility provisions. Interests in MVI, MVII LP and MV+Plus LP and shares in MV II-A and MV+Plus Ltd. are generally offered<sup>1</sup> to (A) U.S. Investors who are (i) accredited investors within the meaning of Regulation D of the Securities Act of 1933, as amended ("Accredited Investors") and (ii) qualified clients as defined in Rule 205-3 under the Advisers Act ("Qualified Clients") and (B) non-U.S. Investors. Interests/shares in MVSD are generally offered to (A) U.S. Investors who are (i) Accredited Investors and (ii) qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended ("Qualified Purchasers") and (B) non-U.S. Investors.

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<sup>1</sup> As previously noted in Item 4.A, MVI and MVII are no longer accepting new subscriptions.

Investments in MVI are subject to a minimum commitment of \$100,000 per investor, with increments of \$50,000 thereafter per investor. Investments in MVII are subject to a minimum commitment of \$500,000 per investor, with increments of \$250,000 in excess thereof. Investments in MVSD are subject to a minimum investment of \$500,000 and \$100,000 for any additional investment per investor. Investments in MV+Plus are subject to a minimum commitment of \$250,000 per investor, with increments of \$100,000 thereafter. The GPs may waive such minimum requirements in their sole discretion.

In the case of MVSD, the GP SD may, in its discretion, prohibit a partial withdrawal/redemption with respect to an investor unless the remaining value of the investor's capital account is greater than \$100,000.

The Trust and Accounts are subject to different terms and fees than the Private Investment Funds. Such fee arrangements and terms are individually negotiated. It should be noted that any Trust/Account relationships are generally subject to significant account minimums.

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## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **8. A. Methods of analysis and investment strategies**

MicroVest has broad discretion (in consultation with the respective Investment Committee) in making investments for the Private Investment Funds. The investment strategies summarized below are set forth in detail, in the governing documents for each Private Investment Fund.

#### **Methods of Analysis**

MicroVest seeks to invest in microfinance companies or other pro-poor finance institutions that it believes demonstrate some or all of the following criteria: well-governed, sustainable, efficient, good portfolio quality and/or solid growth prospects. Some candidates may solicit MicroVest directly for capital. In most cases, MicroVest will leverage its market network (members of the Investment Committee, MicroVest founders and investors, microfinance networks, rating agencies and other investment funds, etc.) to locate preferable investments. MicroVest may also utilize inspections of corporate activities, research materials prepared by others and corporate rating services to assist in analyzing investments.

Prior to approaching any particular investment opportunity, MicroVest will typically first conduct country analyses to identify appropriate markets for the relevant Advisory Client based on: political stability/risk, economic risk, financial sector risk, transparency/corruption, business environment, enforceability of contract and investor rights, microfinance supervision, microfinance demand and maturity of microfinance sector.

Once country risk is reviewed and deemed acceptable by MicroVest (either directly or through the GPs), analysis of a specific prospect begins with a desk study involving some or all of the following: reference checks, analysis of financial statements and liquidity position, review of ratings and business plan/projections. The next step would typically involve MicroVest initiating negotiations to structure a financing facility. Upon reaching an agreement with the prospect on a term sheet, additional analysis is required prior to submitting an investment proposal to the Private Investment Fund's Investment Committee or the Trust or Account's authorized representative. This includes review of the institution's credit policy: loan products, exposure limits, collateral requirements, approval authority, permitted restructuring/parallel loans, reserves, write-offs, collections, internal audit procedures, etc.

In most cases, an on-site due diligence visit of the prospect will also be required. In select circumstances and as pre-determined by the Investment Committee or Account (i.e.; with a limited loan size and tenor,

minimum rating, and/or loan renewal for an existing client in good standing) a proposed loan to a microfinance company can be structured which does not require an on-site due diligence visit.

### **Investment Strategy**

**MVI:** MVI will identify financial institutions around the globe with a clear focus on the extension of credit to microenterprises and will seek to make investments in those MFIs with what MicroVest believes to be solid operations, strong credit profiles, and future strategic and financial prospects, so as to maximize MVI's risk adjusted return on capital.

MVI intends to make each of the following types of investments:

1. **Debt Investments:**

- Purchase of certificates of deposits ("CDs"): During the commencement of operations for MVI, MFI CD investments will be made to allow for an efficient use of capital during the initial structuring period for longer-term MFI investments. MFI CD investments may also be made shortly prior to liquidation of MVI to allow for improved liquidity.
- Senior Loans to MFIs: The Company may extend medium-term (2-3 years) and long term (4-5 years) senior loans to MFIs. Interest rates on MFI senior loans will depend upon the MFI's credit quality, term of maturity, and interest rate conditions.
- Senior Bonds/Notes: MVI may purchase senior debt securities (bonds or notes) from MFIs.

2. **Equity-linked Debt or Debt-like Investments:**

- Subordinated Convertible Debt: MVI may make subordinated convertible debt investments in MFIs.
- Participating-Debt: MVI will seek to make preferred debt investments that pay a fixed interest, but also pay an additional interest return when the MFI's net income exceeds a pre-designated earnings threshold.
- Participating-preferred: MVI will seek to make preferred equity investments that pay a fixed regular dividend, but also pay an additional dividend when the MFI's net income exceeds a pre-designated earnings threshold.
- Subordinated Debt with Warrants: MVI will seek to make subordinated debt investments which include the provision of MFI stock warrants.

3. **Equity Investments:** MVI will seek to monetize these shares prior to its liquidation. MVI may seek to make additional common and preferred equity investments in MFIs to the extent it identifies attractively priced MFI equity investment opportunities with viable exit strategies.

MVI will not undertake an investment of more than 20% of MVI's total funded commitments, or aggregate cost basis of portfolio assets plus temporary investments, whichever is greater, in any one country or in any one investment, calculated as of the date of such investment. However, because of appreciation and depreciation of such investments, a particular investment or investments in any one country may, as a result of such appreciation or depreciation, exceed 20%.

**MVII:** MVII intends to identify financial institutions around the globe that have a stated focus on the extension of credit to microentrepreneurs. MVII will seek to make investments in those MFIs with strong management teams, good fundamental operations, balance sheets that can be improved, and future strategic and financial prospects in order to maximize MVII's return. Additionally, MVII may invest in other entities that provide financial services to the working poor in developing countries, including, holding companies or MFI networks. MVII seeks to have a diversified portfolio of 20-30 deals to strive to mitigate both foreign exchange risk and investment risk. MVII desires to provide equity financing to top-tier MFIs and to acquire securities in MFIs through secondary offerings. MVII intends to:

- Create a portfolio of top-tier MFIs, anticipating exit within 7 years
- Take mainly passive minority positions of less than 10% with minimal participation as owners.

- The Fund may invest up to one-fourth (25%) of total committed capital of MVII in minority ownership positions generally representing up to 20% of the total share capital of the individual MFI.
- Make investment decisions based on country risk and MFI's potential for growth and leadership, with emphasis on profitability and path to exit
- Consider investments in any country that meets its country risk requirements
- Exit through secondary market transactions as well as public market or M&A liquidity events is expected

The Fund will invest in common shares and may consider, at the sole discretion of the GP II, investments in preferred shares or other quasi-equity instruments. Additionally, MVII may invest in other pro-poor financial services institutions that might include but is not limited to remittance companies, leasing companies, and other financing vehicles in developing countries. Investment size will range from an expected minimum of \$500,000 to a maximum of at most 15% of MVII's assets.

In general, MVII will not undertake an investment of more than 15% aggregate commitments, in any one MFI, calculated as of the date of such investment. Because of appreciation and depreciation of such investments, however, a particular investment or investments in an MFI may, as a result of such appreciation or depreciation, exceed such 15%. In addition, MVII will not invest more than 20% of MVII's total assets or 20% of aggregate commitments, in any one country.

**MVSD:** MVSD is designed to provide short- and medium-term debt financing and term deposits to LIFIs. Target LIFIs will include existing MicroVest relationships and other top-tier LIFIs, with an expected investment universe of over 400 institutions.

It is anticipated that MVSD's investment portfolio will be diversified. The tenor of investment will be varied and laddered to provide significant natural liquidity to MVSD. The original tenor of the investments is expected to be 6 to 36 months, with an average of 12 to 15 months. With amortizing and laddering the average remaining portfolio tenor is expected to be 7 to 9 months at any point in time. MVSD's investments will be in U.S. dollars, euros and local currencies and MicroVest will seek to hedge MVSD's exposure to euros and the local currencies at a reasonable cost.

MVSD's portfolio will be subject to certain portfolio allocation limits: (i) no more than 50% of assets (measured at the time of investment) may be invested in a single region; (ii) no more than 20% of assets (measured at the time of investment) may be invested in a single country (with the exception of the United States, Brazil, Russia, India and China); (iii) no more than 30% of assets (measured at the time of investment) may be invested in the United States, Brazil, Russia, India or China; and (iv) no more than 10% of assets (measured at the time of investment) may be invested in a single organization. During MVSD's first 18 months of operations the portfolio may exceed these allocation limits. Thereafter, MicroVest may, on approval from the Investment Committee, exceed these portfolio allocation limits.

**MV+Plus:** MV+Plus will identify financial institutions around the globe with a clear focus on the extension of credit and other financial services to the working poor and will seek to make investments in those LIFIs with strong credit profiles, sound operations, and favorable strategic and financial prospects, so as to maximize MV+Plus' risk adjusted return on capital. MV+Plus intends to invest in a diversified mix of instruments, including:

- Purchase of certificates of deposit and similar term deposit instruments ("CDs").
- Senior loans, notes or bonds, from 1-5 years term, generally requiring periodic payments of principal and interest.
- Equity-linked or equity-like debt instruments, including subordinated debt, convertible debt, income participation notes, or fixed coupon, redeemable preferred shares.
- Equity investments in common or preferred shares.

MV+Plus believes that it can reduce its risk of investments by diversifying its portfolio. Therefore, MV+Plus will not invest more than 20% of MV+Plus' total assets in any one country or more than 10% of MV+Plus' total assets in any one institution, calculated as of the date of such investment as a percentage of the original cost basis of the aggregate of all portfolio assets, cash and equivalents. Due to appreciation and depreciation of such investments, a particular investment or investments in any one country or one institution may exceed these limits. These limits shall only apply after the date of the final closing of MV+Plus (December 30, 2012, unless otherwise extended by the GP Plus in its discretion).

The Trust and Account relationships have methods of analysis and investment strategies that are individually negotiated between MicroVest and the Trust and the respective Account. A complete description of such methods of analysis and investment strategies for the Trust and the Accounts is disclosed within the relevant advisory or investment management agreement which is entered into by MicroVest and the Trust or Account.

**THE ADVISORY CLIENTS MAY BE DEEMED TO BE A SPECULATIVE INVESTMENT AND ARE NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. THEY ARE DESIGNED ONLY FOR EXPERIENCED AND SOPHISTICATED PERSONS WHO ARE ABLE TO BEAR THE RISK OF SUBSTANTIAL IMPAIRMENT OR TOTAL LOSS OF THEIR INVESTMENT**

#### **8.B. Material risks associated with MicroVest investment strategies**

**Long-Term Investment:** Although the majority of investments by MVI, MVII and MV+Plus are expected to generate current income (primarily interest income), certain investments by MVI, MVII and MV+Plus will generate only limited current income (dividends) and will only realize a return of capital and gains, if any, upon the disposition of the investment. While an investment may be sold or redeemed by MVI, MVII and MV+Plus at any time, certain investments generally are not expected to be sold for a number of years after the initial investment has been made. Prior to such time, there will generally be no current return on investments made by MVII, or on a portion of investments made by MVI and MV+Plus.

**Failure to Make Capital Commitments:** With respect to MVI and MVII, if an investor fails to pay a commitment call when due, and the contributions made by non-defaulting investors are inadequate to cover the defaulted commitment call, MVI and MVII may be unable to pay its obligations when due. As a result, MVI and MVII may be subjected to significant penalties that could materially adversely affect the returns to the investors (including non-defaulting investors). If an investor defaults, such investor may be required to sell its interest/share in MVI or MVII at a significant discount to fair market value.

**Difficulty in Valuing the Investment Portfolio of the Private Investment Funds:** The GPs or MicroVest will value the investment portfolio of the Private Investment Funds from time to time based upon its best estimate of the value of each of the individual securities held by the Private Investment Funds. There is typically no public market for the securities of the LIFIs in which the Private Investment Funds invest. Thus, portfolio valuation inherently is highly subjective and imprecise. In establishing the value of the Private Investment Funds' investment portfolio, the GPs and MicroVest may also consult with accounting firms, investment banks and other consulting firms when needed, to assist with the valuation of the investments. The value set by the GPs or MicroVest may not reflect the price at which the Private Investment Funds could dispose of its interests in a particular portfolio company at any given time.

**Limited Transferability of Interests/Shares; Interests/Shares Not Liquid:** The interests/shares have not been registered under the Securities Act or any state law and no such registration is contemplated. No public market for the interests/shares is expected to develop, and *no redemption right*

*is being offered by MVI, MVII or MV+Plus.* Furthermore, any outside transfer or assignment of the interests/shares will be dependent on the consent of the GPs, which may be withheld in their sole discretion. The interests/shares are therefore not liquid and involve a high degree of risk. Subscriptions for interests/shares should be considered only by sophisticated investors who are financially able to maintain their investment and pay the taxes with respect thereto, and who can afford to lose all or a substantial part of their investment.

**Political and Economic Factors:** The economies of the various countries in which the Private Investment Funds invest will differ favorably or unfavorably from the U.S. economy in such respects as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of some countries may have exercised and may continue to exercise substantial influence over many aspects of the private sector. Many leading LIFIs are locally regulated financial institutions and are subject to the local government's rules and regulations for financial institutions, which are subject to change. Accordingly, government actions in the future could have a significant effect on economic conditions of different countries which could affect the Private Investment Funds' investments in LIFIs. Expropriation, confiscatory taxation, changes in regulatory structures, nationalization, political, economic or social instability or other developments could adversely affect the Private Investment Funds' investments held in particular countries. The value of the Private Investment Funds' investments will be affected by, among other factors, inflation, interest rates, taxation, social instability, and other political, economic or diplomatic developments in or affecting the various countries. Foreign investment in certain countries may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment and increase the costs and expenses of the Private Investment Funds. Certain countries may require governmental approval prior to investments by the Private Investment Funds, limit the amount of investment by the Private Investment Funds or limit the investment by the Private Investment Funds to only a specific class of securities of an entity that may have less advantageous terms than those available for purchase by nationals. The Private Investment Funds' investments that are situated in the various countries will also be subject to normal investment risks and, in addition, may be adversely affected by political development and/or changes in the local laws, taxes and exchange controls which might be applicable to the Private Investment Funds or to the Private Investment Funds investments.

**Risk of Investing in Developing or Emerging Countries:** Investing in developing or emerging countries and markets entails significant risk. Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and markets of certain emerging countries. In addition, in many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the capacity of borrowers in emerging countries and issuers of emerging country debt instruments to make payments on their debt obligations, regardless of their financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause the Private Investment Funds to suffer a loss of any or all of its investments and interest thereon.

#### **8.B. Material risks associated with particular types of securities**

MicroVest Advisory Clients, including the Private Investment Funds and Accounts generally invest in the securities of MFIs or other LIFIs who will extend credit to microenterprises, small businesses, microentrepreneurs or low-income individuals in developing countries. The risks associated with these securities include the following:

**Developing or Emerging Countries** Changes in any country's economic and political conditions could have a significant impact on the results of MicroVest investments, depending upon the amount of

investment with LIFIs located in countries experiencing adverse economic and political conditions. These securities are speculative and entail a high degree of risk.

**Credit Risks of Micro-Loans:** Microfinance involves the provision of credit to microentrepreneurs and microenterprises in developing countries, many of whom have incomes below the applicable poverty level and have little or no previous credit history with commercial or other lenders. These micro-loans typically are not secured by any collateral or other type of traditional guarantee. There is no assurance that the micro-clients will be able to repay the micro-loans to the MFIs, and as a consequence, the Private Investment Funds may be adversely affected. The Private Investment Funds' investments will typically not be backed by liens on the assets of the MFIs or any other types of guarantees and the Private Investment Funds will often not participate in the day-to-day operations of the MFIs.

**Financial Information of LIFIs:** Financial and other information concerning MFIs/LIFIs may be available through certain sources, including the MFIs/LIFIs themselves. There may be no consistent means, however, of confirming the accuracy of such information. As a result, the financial condition of individual MFIs/LIFIs, and their respective credit risk may be difficult to quantify.

**MFI/LIFI Operating Performance:** MFIs/LIFIs may face difficulties in providing services to microenterprises. These difficulties may include, among others: the vulnerability of microenterprises to socio-political and environmental changes; inadequate credit analysis and risk management procedures; high operating costs; and liquidity constraints due to the inability of the MFIs/LIFIs to attract debt capital and deposits.

**Liquidity of Equity Investments in LIFIs:** While the Private Investment Funds will generally attempt to negotiate exit mechanisms for all of its investments, there can be no assurance that such mechanisms will be effective. The Private Investment Funds may invest in unlisted equity securities, including investments that involve a high degree of business and financial risk, which can result in substantial losses to the Private Investment Funds. Due to the absence of any trading market for these investments, the Private Investment Funds may take longer to liquidate its positions with regard to these investments than would be the case for publicly-traded securities. Although these securities may be resold in privately negotiated transactions, the amounts received by the Private Investment Funds on these sales could be less than the prices paid by the Private Investment Funds. LIFIs whose securities are not publicly-traded may not be subject to public disclosure and other investor protection requirements that may be applicable to publicly-traded securities. Given the nature of the Private Investment Funds' activities, all of the Private Investment Funds' investments may be in such unlisted securities. If such securities are required to be registered under the securities laws of one or more jurisdictions before being sold, the Private Investment Funds may be required to bear the expenses of registration.

**Currency Fluctuations and Foreign Exchange Controls:** Certain of the Private Investment Funds' assets will be invested primarily in equity securities of LIFIs. Since a significant portion of such investments will be in securities denominated or quoted in currencies other than the US Dollar, changes in currency exchange rates will affect the value of securities in the Private Investment Funds' portfolio and the unrealized appreciation or depreciation of investments, because the Private Investment Funds may maintain their accounts and compute and distribute its income in Dollars. It is possible that the diversity of the portfolio, containing assets denominated in several currencies, will serve to mitigate the overall effect of exchange rate movements on the portfolio's Dollar value. However, this diversification will not insure against losses in value of any individual portfolio assets or in the aggregate value of the entire portfolio. Further, the Private Investment Funds may incur transaction costs in connection with conversions among various currencies. Additionally, most LIFIs exhibit some degree of mismatch between the denomination currencies of their assets and liabilities. Changes in currency exchange rates could impact the income of the LIFI, and by extension the income of the Private Investment Funds.

The Private Investment Funds may make loans to LIFIs in US Dollars or in local currency. The LIFIs will generally extend credit to their clients in the local currency of their respective countries. Both the MFI and the Private Investment Funds are exposed to foreign currency exchange risks. The Private Investment Funds will seek to actively hedge foreign exchange exposure related to loans to LIFIs made in local currency with other financial instruments (ex: forward currency contracts).

**IT IS VERY IMPORTANT THAT INVESTORS REFER TO THE RELEVANT CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND OTHER GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN RELATION TO MICROVEST'S INVESTMENT STRATEGIES AND METHODS OF ANALYSIS AND TO AN INVESTMENT IN THE ADVISORY CLIENTS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENTS.**

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## **ITEM 9 – DISCIPLINARY INFORMATION**

Neither MicroVest nor any of its management persons have been involved in any legal or disciplinary event material to the advisory business. There is no information applicable to this matter.

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## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain employees and independent Board and Investment Committee members of MicroVest have other financial industry activities or affiliations as follows:

### **10. A. Broker-dealer or registered representative of a broker-dealer**

Ronald D. Cordes and Kenneth D. Hochstetler are members of the Holding Company's Board of Directors and also are registered representatives of or are otherwise employed by unaffiliated broker-dealers.

### **10.B. Futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person**

Ronald D. Cordes, a member of the Holding Company's Board of Directors, is also Co-Chairman of Genworth Financial Wealth Management, Inc. ("Genworth"). Genworth is under common control of Altegris Portfolio Management, Inc., an SEC registered investment advisor, which acts as the sponsor and commodity pool operator for various commodity pools.

### **10.C. Relationships material to the advisory business that MicroVest or its management persons have with related persons listed below:**

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant



10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

MicroVest serves as the investment manager to the Private Investment Funds. MicroVest, its employees or their related persons may also invest directly in the Private Investment Funds. It should be noted that investments in the Private Investment Funds made by such parties are subject to the same fees and liquidity as outside, unaffiliated investors.

The GP I serves as the general partner to MVI. The GP II serves as the general partner to MV II. The GP SD serves as the general partner to MVSD. The GP Plus serves as the general partner to MV+Plus. The GPs, in conjunction with their respective Investment Committees and MicroVest are responsible for all aspects of the Private Investment Funds' operations, including the identification of investment opportunities, the negotiating and structuring of investments, the active monitoring of MFIs and the disposition of investments.

Certain employees and independent Board and/or Committee Members of MicroVest have outside business affiliations. Specifically:

MicroVest Employee:

- Candace Smith, Chief Operating Officer and Chief Compliance Officer of MicroVest, is an Independent Trustee of Praxis Mutual Funds, a family of SEC registered mutual funds managed by Everence Capital Management, Inc. an SEC registered investment advisor.

Independent Board and/or Committee Members:

- Caton Burwell is a manager at QED Investors LLC, an entity that provides investment advisory services to pooled investment vehicles that focus on high-growth, information-rich businesses in the financial services and digital marketing industries.
- Ronald D. Cordes is Co-Chairman of Genworth Financial Wealth Management, Inc., a SEC registered investment adviser, that provides investment advisory services to individuals, high net worth individuals, investment companies, pension and profit sharing plans, charitable organizations and other corporations; is the Regional Principal of Capital Brokerage Corporation, a FINRA registered broker-dealer that is involved in mutual fund distribution; and is the Board Chairman of the GuideMark Funds, where he provides mutual fund oversight; and a board member to the Sarona Funds, which have similar investment objectives to the Private Investment Funds.
- Gregory M. Gentile is an owner and principal at GMG Investment Advisors, LLC ("GMG"), an investment adviser, that provides investment advisory services to hedge funds that focus on Latin American credit markets and is an owner and principal of GMG Investment Advisors GP, LLC, which serves as the general partner to the hedge funds managed by GMG.
- J. Alex Hartzler is: (i) a managing partner of WCI Partners LP, an entity that manages real estate investments; and (ii) Chairman of the board of directors of Sarona Asset Management, an entity that provides investment advisory services to private investment funds, similar to MicroVest's business.
- Kenneth D. Hochstetler is: (i) Senior Executive Vice President of Univest Corporation of PA and Univest Bank & Trust Co., entities that provides retail banking, wealth management and trust function services; (ii) President of Univest Insurance, Inc., an entity that provides insurance services; (iii) President of Univest Investments, Inc., a SEC registered investment adviser and FINRA registered broker-dealer that provides investment advice to individuals, high net worth individuals, pension and profit sharing plans, corporations, enrichment funds and mission accounts for college; and (iv) President of TCG Investment Advisory, Inc., a SEC registered investment adviser, that is a subsidiary of Univest.

- Gerhard Pries is president of Saron Asset Management Inc. and its related general partner entities, which provide investment advisory services to private investment funds, similar to MicroVest's business.
- R. Clair Sauder is: (i) lead independent director of Praxis Mutual Funds, an SEC registered mutual fund family managed by Everence Capital Management Inc., and SEC registered investment advisor. ; and (ii) a Director of National Penn Wealth Management, N.A., including its division National Penn Investors Trust Company, which are investment management units of National Penn Bancshares, Inc., that provide trust and investment management services.
- Bruce Tully is a manager at Beehive Ventures, LLC, an investment firm that is involved with venture capital investments.

In order to manage the above conflicts of interest, MicroVest's Code of Ethics requires employees of MicroVest to obtain prior written approval from MicroVest's Chief Compliance Officer before engaging in any transactions in limited offerings, which includes, but is not limited to: the Private Investment Funds. Further, employees and independent Board and/or Committee Members are required to disclose their outside business activities on an annual basis. Further, to the extent any independent Board and/or Committee Members is invested, either personally or on behalf of a related party (i.e., their employer firm) in a security that is also held by a MicroVest Advisory Client, such parties will recuse themselves from any discussions and/or decisions involving the MFI/LIFI in which they have an ownership interest in relation to the Advisory Clients

#### **10.D. Compensation for recommending or selecting other investment advisers**

MicroVest does not recommend or select other investment advisers for clients or receive compensation for such activity. This item is not applicable.

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## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **11.A. Code of Ethics**

MicroVest believes that high ethical standards are essential to its success and to maintaining the confidence of its Advisory Clients. MicroVest is of the view that its long-term business interests are best served by adherence to the principle that Advisory Clients' interests come first. In that regard, MicroVest has adopted an Insider Trading Policy and written Code of Ethics designed to ensure the protection of non-public information about the activities of its Advisory Clients. The policies also impose certain personal transaction preclearance and reporting obligations on MicroVest's employees. Further, in compliance with the requirements of Rule 204A-1 of the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), employees are required to report their personal securities transactions on a quarterly basis and disclose their securities holdings upon employment and on an annual basis thereafter. Such statements are reviewed by the Chief Compliance Officer on a periodic basis.

Clients or prospective clients may obtain a copy of MicroVest's Code of Ethics by contacting the Chief Compliance Officer, Candace Smith, at 301.664.6660.

### **11.B. Participation in client transactions**

As previously noted: (i) MVII LP invests all of its investable assets in MVII-A; (ii) MVSD LTD invests all of its investable assets in MVSD LP; and (iii) MV+Plus Ltd. invests all of its investable assets in MV+Plus LP; each (i), (ii) and (iii) through master feeder fund structures. The Private Investments Funds may invest in other investment funds managed by MicroVest provided that (i) such investments are

approved by a majority of the respective Private Investment Funds' Investment Committee (excluding any members who are affiliated with MicroVest), and (ii) the value of such investments shall be deducted from the calculation of assets used to determine the Management Fee (i.e., no fee is earned from the investing Private Investment Funds).

It should be specifically noted that MV+Plus is serving as a follow-on fund to MVI. As such, during MV+Plus' offering, MV+Plus will also accept, as contributions, an assignment by MVI of certain of its assets. A portion of these assets will be assigned to MV+Plus at the initial closing. While MV+Plus has not yet identified which assets will be assigned, it is expected that MV+Plus' initial portfolio will consist of debt and equity investments in the companies previously held by MVI, provided MVI may re-finance on similar terms certain of the loans in advance of the initial closing.

MicroVest serves as the investment manager to the Private Investment Funds. MicroVest, the GPs, MicroVest's employees, Access Persons or their related persons may also invest directly in certain of the Advisory Clients. It should be noted that investments in the Advisory Clients made by such parties are subject to the same fees as outside, unaffiliated investors. The owners of the Holding Company (MicroVest's parent) and individual members of the Board of Directors have financial ownership interests in the Private Investment Funds. In addition, MicroVest and the GPs receive management fees, and in some cases, Loan-Based Fees, Investment-Based Fees and performance based fees for their services to the Private Investment Funds.

The fact that MicroVest, the GPs, its affiliates, its employees or their related persons have a financial ownership interest in the Private Investment Funds creates a potential conflict in that it could cause MicroVest to make different investment decisions than if they did not have such a financial ownership interest. Further, MicroVest and the GPs charge the Private Investment Funds fees based on a percentage of assets under management and, in certain cases, performance based fees. The management fees are payable without regard to the overall success or income earned by the Private Investment Funds and therefore may create an incentive on the part of MicroVest to raise or otherwise increase assets under management to a higher level than would be the case if MicroVest were receiving a lower or no management fee. The receipt of performance based compensation may create an incentive for MicroVest to make investments that are riskier or more speculative than it otherwise would.

Employees of MicroVest and independent Board and/or Committee Members of MicroVest and/or related parties thereto (i.e., their employer firm), may conduct outside business activities which may be investment advisory in nature. Independent Board and/or Committee Members of MicroVest may sit on boards for outside companies (the "Outside Companies") which may be involved in investing in the MFI industry. Such Outside Companies may enter into investment advisory arrangements with MicroVest (i.e., MicroVest may provide investment advice to an Account that is owned or managed by the Outside Company). In addition, MicroVest's Advisory Clients may invest in such Outside Companies and such Outside Companies may invest in MicroVest's Advisory Clients, generally, the Private Investment Funds. In such instances, neither the Outside Company nor MicroVest require the other party to reciprocate such investment and each investment is the result of an independent investment decision made by the investing party, be it MicroVest or the Outside Company (including their members, officers or employees). It should be noted that in each case, there is no special treatment of such investors, but such investments may give rise to conflicts of interest.

Complete fee disclosures are provided to investors either in the form of confidential private offering memorandum or in an explanatory memorandum and should be carefully reviewed by prospective investors.

Further, as noted above in Item 11.A, MicroVest has established a Code that sets forth a standard of business conduct that takes into account MicroVest's status as a fiduciary and requires employees to place the interests of the Advisory Clients above their own interests.

#### **11.C. Conflicts of interests - personal trading**

MicroVest and the GPs may, in their sole discretion, offer to one or more investors (including, without limitation, strategic investors and unaffiliated financial investors), the opportunity to co-invest with certain of the Private Investment Funds in certain transactions.

MicroVest's employees are prohibited from investing in the MFIs/LIFIs that MicroVest recommends to its Advisory Clients. It should be noted that certain Access Persons, which generally include independent Board and/or Committee Members of MicroVest and/or related parties thereto (i.e., their employer firm), may invest in MFIs/LIFIs that MicroVest recommends to its Advisory Clients. As investors of the same MFIs/LIFIs, such Access Persons would be participating in any capital gains (or losses) along with the Advisory Clients and its investors. To the extent any independent Board and/or Committee Members is invested, either personally or on behalf of a related party (i.e., their employer firm), such parties will recuse themselves from any discussions and/or decisions involving the MFI/LIFI in which they have an ownership interest in relation to the Advisory Clients. Conflicts of interest are carefully monitored in respect of such investments.

CARE, one of the Holding Company's owners, contributed to MVI, as a funded commitment in exchange for limited partnership interests in MVI, its ownership in an MFI.

Please also refer to Items 11.A and 11.B above

#### **11.D. Conflicts of interests – advisory clients**

MicroVest and its principals may give advice and recommend investment opportunities for certain Advisory Clients, which advice or opportunities may differ from advice given to, or an investment recommended or bought for, other Advisory Clients even though their investment objectives may be the same or similar. Accordingly, Advisory Clients with similar strategies may not hold the same investments or achieve the same performance returns. MicroVest has adopted procedures regarding the allocation of investment opportunities to its Advisory Clients. It should be specifically noted that investment allocation decisions made by MicroVest will be subject to investment decisions made by MicroVest and that MicroVest (for a wide variety of reasons) may decide to allocate a particular investment opportunity to one Advisory Client and not others. It should be specifically noted that when allocating investment opportunities between Advisory Clients, when one Advisory Client does not have capital commitments invested to a certain threshold, situations may arise where opportunities are disproportionately allocated to a certain Advisory Client during its initial investment period, notwithstanding that other Advisory Clients may have funds available for investment. Such disproportionate allocation may have a detrimental effect on the other Advisory Clients.

MicroVest will endeavor to resolve conflicts with respect to investment opportunities in a manner which it deems equitable to the various Advisory Clients and their investors as a whole under the prevailing facts and circumstances.

Please also refer to Items 11.A, 11.B, and 11.C above

## **ITEM 12 – BROKERAGE PRACTICES**

Not applicable. MicroVest's investments are typically in MFIs, LIFIs and in other private transactions that are not traded on an exchange. As such, MicroVest does not utilize brokers or dealers to execute transactions. In addition, MicroVest does not receive "soft dollars" of any kind.

It should be noted that MicroVest has adopted an aggregation policy with respect to the types of investments it makes. In order to ensure that it treats all Advisory Clients fairly and equitably, it is MicroVest's policy that when appropriate, based upon each Advisory Client's investment/risk parameters, assets under management, available cash flow, liquidity and portfolio exposure, to purchase or sell the same investment opportunity for more than one of the Advisory Clients then it shall endeavor, but is not obligated, to aggregate the investment opportunity to seek more favorable terms.

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## **ITEM 13 – REVIEW OF ACCOUNTS**

### **13.A. Review of client accounts**

Active accounts are under continuous review with regard to individual reporting and covenant requirements of the particular account.

MicroVest will track standard operating metrics for all investments in the portfolio and check for adverse trends on an on-going basis. A detailed review of each equity investment generally will be conducted on a quarterly basis and a detailed review of each debt investment will be conducted not less than annually. Portfolio reviews will track current exposure and historical investment activity, update on country situation, an analysis of financial and operating performance, liquidity assessment and other developments since the prior review. The reviews are performed by investment personnel under the direct supervision of Michael Edberg, MicroVest's Managing Director, Investments. Investment personnel and Mr. Edberg and are overseen by: Gil Crawford, Chief Executive Officer; Candace Smith, Chief Operating Officer/Chief Compliance Officer; Christopher Laurent, Chief Financial Officer. Additionally, select equity or loan investments will be reviewed on a more frequent periodic basis based on perceived credit risk. General trends in the market and the aggregate portfolio will be reviewed by the Mr. Edberg, Mr. Crawford, Ms. Smith and Mr. Laurent on a quarterly basis.

The performance of portfolio assets will generally be overseen on a quarterly basis by the Holding Company's Board of Directors, which consists of: W. Bowman Cutter, Gerhard Pries, Ron Cordes, J. Alex Harzler, Lauren Hendricks, Ken Hochstetler, Joseph J. Iarocci, Carl Munana, R. Clair Sauder, James A. Torrey, Bruce Tully and Kim Williams.

Further, Candace Smith, in her capacity as MicroVest's Chief Compliance Officer, periodically reviews accounts to ensure consistency with applicable laws and regulations.

### **13.B. Factors that trigger review**

Please see Item 13.A above. The Advisory Clients' accounts are under continuous review.

### **13.C. Content and frequency of regular reports**

Generally, investors in the Private Investment Funds will receive the following written reports:

- Monthly statement of their capital account
- unaudited performance reports no less than quarterly
- audited financial statements typically within 90 days of the end of the fiscal year

- K-1s and other tax informational statements within the time period required by law.
- In addition to the above noted reports, investors in MVSD will also be provided with unaudited monthly financial statements

It should be noted that MVII, MVSD and MV+Plus may enter into separate agreements with certain investors offering certain investors with different information and reporting that is otherwise provided pursuant to the respective offering memorandum.

The frequency and type of reporting to the Trust and the Accounts is subject to terms that are individually negotiated.

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## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **14.A. Compensation from someone who is not a client**

MicroVest does not receive economic benefit from anyone who is not a client for providing investment advice or advisory services to our clients. This item is not applicable.

### **14.B. Compensation for client referrals**

MicroVest may enter into written arrangements with third parties to act as solicitors for its investment management business. All such compensation will be fully disclosed to each client consistent with applicable law. All such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act, as well as relevant SEC guidance. In general, MicroVest may pay third party solicitors out of the fees received by MicroVest with regard to the Private Investment Funds for investor referrals.

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## **ITEM 15 – CUSTODY**

With respect to the Private Investment Funds and one of the Accounts (Access Africa Fund, LLC), MicroVest and the GPs are deemed to have custody by virtue of their status as investment manager and/or general partner, respectively. The qualified custodians presently utilized by MicroVest for the Private Investment Funds' cash and securities comprising the assets of the Private Investment Funds are:

J.P. Morgan Chase Bank N.A.  
270 Park Avenue, 43<sup>rd</sup> Floor,  
New York, NY 10017

J.P. Morgan Bank N.A.  
Chaseside  
Bournemouth  
UK BH7 7DA

Citibank, N.A.  
8001 Wisconsin Avenue  
Bethesda, MD 20814

Citibank – Mumbai  
3<sup>rd</sup> Floor, Trent House, Plot No. G-60,  
Bandra Kurla Complex  
Bandra East, Mumbai – 400 051 India

Deutsche Bank  
Fourth Floor, Barkly Wharf East  
Le Caudan Waterfront, Port Louise, Mauritius

Univest National Bank and Trust Co.  
Trust Department  
14 N. Main Street, P.O. Box 64559  
Souderton, PA 18964

Banco Solidario, SA  
Trust Department  
Quito, Ecuador

The qualified custodians presently utilized by MicroVest for the cash and assets of the Access Africa Fund, LLC:

J.P. Morgan Chase Bank N.A.  
270 Park Avenue, 43<sup>rd</sup> Floor,  
New York, NY 10017

To ensure compliance with Rule 206(4)-2 under the Advisers Act, MicroVest reasonably believes that all investors in the Private Investment Funds and the Access Africa Fund, LLC will be provided with audited financial statements for the Private Investment Funds/Access Africa Fund, LLC, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of the Private Investment Funds'/Access Africa Fund, LLC's respective fiscal years. Investors should carefully review the audited financial statements of the Private Investment Funds/Access Africa Fund, LLC.

It should be noted that MicroVest is of the view that it does not have custody of the Trust's or the other Accounts' funds or securities.

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## **ITEM 16 – INVESTMENT DISCRETION**

MicroVest has discretionary authority to manage the Private Investment Funds. MicroVest is authorized to make purchase and sale decisions for the Private Investment Funds.

As explained in Item 8 above, each Private Investment Fund's investment strategy is set forth in detail in such Private Investment Fund's offering memorandum. Investors in the Private Investment Funds do not have the ability to impose limitations on MicroVest's discretionary authority. Prospective Investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering materials, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Investors should also consult with their legal, tax, or other advisors prior to making any investment. Prospective Investors must also execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective investors in MVI, MVII, MVSD LP and MV+Plus LP must execute a limited partnership agreement.

In the case of the Trust and the Accounts, MicroVest has (i) tailored the investment objectives to the specific objectives/restrictions of the Trust/Accounts; and/or (ii) individually negotiated the terms and

fees for the Trust/ Accounts, which are different to the terms and fees than those of the Private Investment Funds.

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## **ITEM 17 – VOTING CLIENT SECURITIES**

### **17.A. Voting policies and procedures**

It should be noted that MicroVest’s Advisory Clients generally do not invest in securities of publicly held companies. MicroVest’s Advisory Clients may invest in the equity capital of private companies in which MicroVest may or may not have representation on the board of directors. Therefore, the types of proxies that MicroVest would vote on behalf of Advisory Clients are expected to be involving proposals put before the shareholders or before the board of private companies in which an Advisory Client has an ownership interest.

MicroVest understands and appreciates the importance of proxy voting. To the extent that MicroVest has discretion to vote the proxies on behalf of Advisory Clients, MicroVest will vote any such proxies in the best interests of Advisory Clients and investors (as applicable) and in accordance with set compliance procedures.

Prior to voting any proxies, MicroVest’s Managing Director, Investments will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Managing Director, Investments will then consult with the Chief Compliance Officer, who will then make a determination (which may be in consultation with the Chief Executive Officer, General Counsel or outside legal counsel or compliance consultants) as to whether the conflict is material or not.

If no material conflict is identified pursuant to its set procedures, the Managing Director, Investments will make a decision on how to vote the proxy in question in accordance with MicroVest’s established proxy voting procedures, which is in the best interest of the relevant Advisory Client.

If a conflict is identified and deemed “material” by the Managing Director, Investments, in consultation with the Chief Compliance Officer, the proxy will be referred to the Private Investment Fund’s respective Investment Committee to determine a vote. The same procedure applies to the Access Africa Fund, LLC one of the Accounts, which has its own Investment Committee.

The Managing Director, Investments, or his designee, will ensure delivery of the proxy, in accordance with instructions related to such proxy, in a timely and appropriate manner. MicroVest keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and any internal documents created that were material to voting decisions and each client request for proxy voting records and MicroVest’s response for the previous five years.

MicroVest does not vote proxies for the Trust and certain of the Accounts.

If you have any questions about MicroVest’s proxy voting policy, its proxy record-keeping procedures or if you would like any detailed information about how proxies are actually voted, please contact the Chief Compliance Officer, Candace Smith, at 301.664.6660 or via e-mail at [csmith@microvestfund.com](mailto:csmith@microvestfund.com).

### **17.B. Authority to vote client securities**

As stated in Item 17.A above, MicroVest does not vote proxies for the Trust or certain of the Accounts. Any proxy votes for such Advisory Clients will be immediately sent to such Advisory Client from MicroVest.



Such Advisory Clients may contact the Chief Compliance Officer, Candace Smith, at 301.664.6660 or via e-mail at [csmith@microvestfund.com](mailto:csmith@microvestfund.com) regarding their proxies.

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## **ITEM 18 – FINANCIAL INFORMATION**

### **18.A. Prepayment of fees**

MicroVest does not require or solicit prepayment of fees. This item is not applicable.

### **18.B. Financial condition**

MicroVest is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Advisory Clients.

### **18.C. Bankruptcy petition**

MicroVest has not been subject to a bankruptcy petition. This item is not applicable.