

INFORMATION MEMORANDUM 2010

CENTRAL AFRICA SME FUND
TARGET: USD 25,000,000



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1. DIRECTORY

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2. IMPORTANT NOTICE

Unless defined otherwise herein, the defined terms and expressions in this Memorandum have the meaning ascribed to them in Annex 1.

Potential Participants shall review this Memorandum and its ancillary documents carefully and consult their legal and financial advisers to ascertain possible tax or other issues related to the purchase, holding or redemption of Participations. The contents of this Memorandum are not to be construed as an invitation to invest or investment, legal or tax advice. The Participations are an appropriate investment for professional and other investors who are capable themselves of evaluating the merits and risks of an investment in the Fund.

Potential Participants shall in particular review the risk factors set out in Annex 2 of the Memorandum. The Fund carries a high degree of risk and is suitable only for persons who can assume the risk of losing their entire investment. There is no guarantee that the Fund will achieve its investment objective. The value of your investments may fluctuate. Returns on past investments are no guarantee for returns on future investments.

This Memorandum is submitted to you on a confidential basis solely in connection with your consideration of an investment in Participations. Due to the confidential nature of this Memorandum, its use for any other purpose might involve serious legal consequences. Consequently, this Memorandum may not be reproduced, in whole or in part, and may not be delivered to any person, without the prior written consent of the Manager.

The Manager shall accept responsibility for the information contained in this document. To the best knowledge and belief of the Manager (who has taken all reasonable care to ensure that such is the case), the information contained in this Memorandum is in accordance with the facts and does not omit anything that may affect the relevance of such information.

The information herein is subject to change at any time. Neither the delivery of this Memorandum nor the offer, issue or sale of Participations shall, under any circumstances, constitute a representation that the information contained in this Memorandum and its ancillary documents is correct at any time subsequent to the date of this Memorandum as printed on the cover of this Memorandum.

No person has been authorised to provide any information or make any representation in connection with the Fund, other than the information and representations contained in this Memorandum and its ancillary documents. Any such other information or representations, if given or made, shall not be relied upon as having been authorised by the Manager.

This Memorandum shall be governed by and construed in accordance with the laws of The Netherlands. This Memorandum shall be published in the English language only.

3. SELLING RESTRICTIONS

The distribution of this Memorandum and the offer, sale and delivery of the Participations in certain jurisdictions may be restricted by law. No action has been or shall be taken to permit the distribution of this Memorandum in any jurisdiction where any action would be required for such purpose or where distribution of this Memorandum would be unlawful.

This Memorandum shall not constitute an offer for, or an invitation to subscribe to or purchase any Participations in any jurisdiction from any person to whom it is unlawful to make such offer or invitation in such jurisdiction. Persons who come into the possession of this Memorandum are required to inform themselves about and observe any such restrictions.

The Netherlands

The Participations shall not be offered or acquired, directly or indirectly, in the Netherlands, and this Memorandum shall not be circulated in the Netherlands as part of initial distribution or at any time thereafter, except to investors who acquire Participations against a minimum consideration of EUR 50,000 or the equivalent thereof in another currency, for each separate offer.

The Fund has not been registered for public offer or distribution in the Netherlands, does not require a license under the Dutch Financial Supervision Act (Wet op het financieel toezicht) and is not subject to the prudential and conduct of business supervision of the Dutch Central Bank (De Nederlandsche Bank N.V.) and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten).

United States

The Participations have not been and shall not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act ("Regulation S")). The Participations are being offered and sold outside the United States in reliance on Regulation S and within the United States only by a US registered broker-dealer to a limited number of "accredited investors" (as defined in Regulation D under the Securities Act). The Participations shall not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Participations are being offered as an investment for sophisticated investors who have the ability to evaluate the merits and risks of an investment in Participations and the ability to assume the economic risks involved in such an investment. In connection with any purchase of Participations each purchaser shall be required to make representations confirming its eligibility as a prospective and sophisticated investor and, with respect to offers within the United States, he shall state that he is an "accredited investor" (as defined in Rule 501(a) of Regulation D) purchasing the Participations for his own account and not with a view to their distribution. The Subscription Agreement for US persons shall contain restrictions limiting the subsequent disposition of Participations designed to permit compliance with the Securities Act and the securities laws of any State of the United States.

The Participations have not been approved or disapproved by the US Securities and Exchange Commission, any federal or state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Participations or the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offence in the United States.

The Fund shall not register as an investment company under the US Investment Company Act of 1940, as amended, in reliance on the exemption contained in Section 3(c)(7) thereof.

United Kingdom

This Memorandum shall not be distributed, delivered or passed on to any person resident in the United Kingdom, unless it is being made only to, or directed only at, persons falling within: (i) Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 as amended (the "Financial Promotion Order") (Investment Professionals); or (ii) Article 49(2) of the Financial Promotion Order (high net worth companies, unincorporated associations etc); or (iii) any other person to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons").

This communication shall not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and shall be engaged in only with relevant persons. Persons of any other description in the United Kingdom may not receive and should not act or rely on this document or any other marketing materials relating to the Fund.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system shall not apply to an investment in the Fund and that compensation shall not be available under the United Kingdom Financial Services Compensation Scheme.

Switzerland

The Participations may not be publicly offered, distributed, marketed, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Memorandum nor any other offering or marketing material relating to the Fund shall be distributed publicly or made otherwise publicly available in Switzerland in connection with the offering, distribution, sale or advertisement of the Participations.

The Participations shall only be offered, distributed, marketed, sold or advertised, and this Memorandum as well as any other offering or marketing material relating to the Fund shall only be distributed or otherwise made available in Switzerland to qualified investors within the meaning of the Swiss legislation on collective investment schemes (including but not limited to the Federal Act on Collective Investment Schemes of June 23, 2006 ("CISA"), the Ordinance on Collective Investment Schemes of November 22, 2006 ("CISO"), and the Circular 03/1 of the Federal Banking Commission on Public Advertising / Collective Investment Schemes ("Circular") of May 28, 2003 (last amendment August 29, 2007) by using advertising means which are common in this market within the meaning of the Swiss legislation on collective investment schemes (including but not limited to the CISA, the CISO, and the Circular).

According to art. 10 para. 3 CISA and art. 6 para. 2 CISO qualified investors are (a) supervised financial intermediaries such as banks, securities dealers and fund management companies; (b) supervised insurance institutions; (c) corporate entities under public law and employee welfare institutions (pension funds) with a professional treasury department; (d) enterprises with a professional treasury department; (e) high net worth individuals; (f) investors that have concluded a written asset management agreement with a supervised financial intermediary (according to (a)); and (g) investors that have concluded a written asset management agreement with an independent asset manager, if (i) the asset manager as financial intermediary is governed by the Federal Money Laundering Act of October 10, 1997 (MLA) (art. 2 para. 3 subpara. e MLA); (ii) the asset manager is subject to the code of conduct of a representative industry association recognized by the supervisory authority as minimum standards; and (iii) the asset management agreement complies with the recognized guidelines of a representative industry association. According to art. 6 para. 1 CISO a high net worth individual is someone who confirms in writing to a supervised financial intermediary according to art. 10 para. 3 subpara. a and b CISA or to an independent asset manager according to art. 6 para 2 CISO that he/she has financial assets of at least 2 million Swiss Francs directly or indirectly at his/her disposition at the time of the acquisition.

Belgium

The Fund has not been and shall not be registered in Belgium and this Memorandum has not been submitted for approval to the Belgian Banking, Finance and Insurance Commission. Accordingly, the Participations may not be distributed in Belgium by way of a public offering, as defined in Article 2.1(d) of the Prospectus Directive and Article 3 §1 of the law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, save in those circumstances (commonly called "private placement") set out in Article 3.2 of the Prospectus Directive and Article 3 §2 of the law of 16 June 2006.

Luxembourg

The closed-ended fund (the "Fund") has not been registered as a foreign fund with the Commission de Surveillance du Secteur Financier (the "CSSF").

No prospectus in respect of the Fund's Participations has been approved by the CSSF. Accordingly, the Participations shall not be distributed by way of public offering in Luxembourg.

Norway

The offer in this Memorandum to subscribe for Participations in the Fund is not a public offer in Norway. Participations in the Fund are not offered or available to persons in Norway except when based on the investors' first approach. Nothing in this Memorandum is directed to or intended for persons in Norway.

Sweden

The Fund may not be marketed or sold in Sweden for the purpose of the Investment Fund Act (2004:46) and applications to subscribe and redeem Participations in the Fund shall only be considered if sent directly to the Fund outside Sweden.

The Fund is not authorized under the Swedish Investment Funds Act. The Participations are offered to a limited number of investors and therefore this Memorandum has not been, and shall not be, registered with the Swedish Financial Supervisory Authority under the Swedish Financial Instruments Trading Act (1991:980). Furthermore, the offer shall only be open to "qualified investors". Accordingly, this Memorandum shall not be made available, nor shall the Participations otherwise be marketed and offered for sale in Sweden, except in circumstances which are exempt from the prospectus requirement pursuant to the Financial Instruments Trading Act.

Finland

This Memorandum has been prepared for private information purposes of interested institutional investors qualifying as qualified investors only under the Finnish Securities Market Act (1989/495, as amended) and does not constitute a prospectus under the Finnish Securities Market Act (1989/495, as amended). It shall not be used for and shall not be deemed a public offering of interests. No action has been taken to authorize an offering of the Participations to the public in Finland and the distribution of this Memorandum is not authorized by the Financial Supervision Authority (Rahoitustarkastus) in Finland. Accordingly, Participations shall not be offered or sold in Finland or to residents thereof, except as permitted by Finnish law and especially in compliance with the Finnish Securities Market Act and any given regulation included in this Act, as supplemented and amended from time to time. This Memorandum shall strictly be for private use by its holder and shall not be passed on to third parties.

France

This Memorandum has not been approved by the Autorité des Marchés Financiers. Accordingly, the Participations in the Fund shall not be offered for subscription or sale in France.

Neither this Memorandum nor any offering material relating to the offer of Participations in the Fund shall be distributed or caused to be distributed in France or used in connection with any offer for subscription or sale of the Participations.

Germany

The Participations have not been notified to, registered with or approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) for public offer or public distribution under German law.

Accordingly, the Participations shall not be distributed/offered to or within Germany by way of a public distribution/offer within the meaning of applicable German laws, public advertisements or in any similar manner. This Memorandum and any other document relating to the Participations, as well as information contained therein, shall not be supplied to the public in Germany or used in connection with any offer for subscription of the Participations to the public in Germany or any other means of public marketing.

This Memorandum and any other document relating to the offer of the Participations shall be strictly confidential and shall not be distributed to any person or entity other than the recipient hereof to whom this Memorandum is personally addressed.

4. EXECUTIVE SUMMARY

4.1. INTRODUCTION

CENTRAL AFRICA SME FUND: an emerging asset class in an untapped market

Central Africa SME Fund (CASF) is an investment fund investing in small and medium-sized enterprises (SMEs) in the Democratic Republic Congo (DRC) and the Central African Republic (CAR). The Fund believes in achieving sustainable economic development by encouraging entrepreneurship. Entrepreneurship in DRC and CAR catalyses economic growth. Currently, many opportunities in these countries remain unexploited due to the lack of risk capital and support. The multiplier impact of such entrepreneurial endeavours creates jobs and income. In most cases, entrepreneurs create businesses with regional growth prospects. The Central Africa SME Fund is a USD 25m fund (target). 80% of the fund will be invested in DRC and 20% in CAR. It is expected to provide risk capital to ca. 60 companies with an investment size in the range of USD 100k to max USD 500k.

MANAGEMENT: experienced international and regional professionals


The Fund will be managed by a management team of experienced investment professionals based in the Netherlands in close cooperation with local investment professionals based in DRC, CAR, and Cameroon. The senior managers have experience with SMEs in private equity, structuring financial transactions, and corporate finance in emerging markets.

- XSML Management B.V. (“XSML Management or “the management”) is the Fund Manager, an established fund management company based in the Netherlands, dedicated to manage emerging markets SME Funds. The team members are investment professionals with first hand entrepreneurial SME experience. With over 35 years combined experience they dedicated their careers to building successful SME companies.
- Cenainvest S.A. is the local investment partner and the first Private Equity Fund in Central Africa (founded in 1998); its operations cover the Central African region, including DRC and CAR. With offices in Yaoundé (Cameroon), Douala (Cameroon) and Kinshasa (DRC), the multicultural team proved its expertise in a wide variety of sectors and disciplines in SMEs and start-ups. Cenainvest raised over EUR 23 million across 3 Funds and invested EUR 13.5 million in 33 projects, including 18 start-ups. Cenainvest’s track record includes 6 realised exits, 7 exits to be realised soon, and the creation of over 13.500 jobs.

IFC / WORLD BANK: Institutional Grounding

IFC, the private sector arm of the World Bank Group, recently awarded XSML USD 12,500,000, with additional Technical Assistance, for the CASF SME Fund. IFC finances private sector ventures in developing countries, with over USD 60 billion in committed capital in 140 countries. IFC is an anchor investor and committed to the SME-sector. This is therefore a unique opportunity to invest with a partner (IFC) in two low income countries in Central Africa in SMEs, where risk capital is not available.

STRATEGY: Mezzanine Focused Investments in SMEs

<p>WHERE DO WE INVEST?</p> <p>Example SME (1)</p> <p>Company:</p> <ul style="list-style-type: none"> ▪ Project: Truck Transportation; ▪ Sector : Logistics; ▪ Activity: Transportation of goods; ▪ Country: Central African Republic. <p>Investment</p> <ul style="list-style-type: none"> ▪ Total need: US\$ 300,000; ▪ Term of investment: 5 years. <p>Social impact</p> <ul style="list-style-type: none"> ✓ Job creation; ✓ Remote area incorporation in the commercial infrastructure. 	
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The Manager’s investment strategy is to invest risk capital in sustainable growing companies in the DRC and CAR, thus generating attractive risk-adjusted returns to investors. This involves the creation of a balanced portfolio of income-generative and high-growth potential companies. In general, the Fund’s investments are made mostly through mezzanine or quasi equity instruments, including debt with profit sharing or a royalty scheme, preferred shares, convertible debt, or subordinated debt with warrants. Mezzanine financing offers the advantage of creating current income and cash flow through interest, while at the same time securing an upside potential. Mezzanine financing also reduces the reliance on an exit to achieve expected returns. Most investments will be accompanied by Technical Assistance support. The Fund is striving to assume a

leadership role in DRC and CAR in the untapped SME sector.

INVESTMENT & ADVISORY COMMITTEE: Corporate Governance

The investments of the Central Africa SME Fund will be approved by the Investment Committee (two persons of XSML and one of CENAINVEST). Every investor has the right to appoint an Advisory Committee (AC) member, with a maximum of 5 members. IFC will be actively involved on the level of the AC in order to implement Best Practices and to further develop the strategy in the SME sector. Furthermore, IFC will also provide start-up, logistical, and legal support to the Manager through IFC local offices in DRC and CAR.

RISKS

DRC and CAR are post-conflict countries and therefore harbour significant risks. The ability to generate investments in such a difficult environment is severely hampered by a constrained judicial, political, and civic infrastructure.

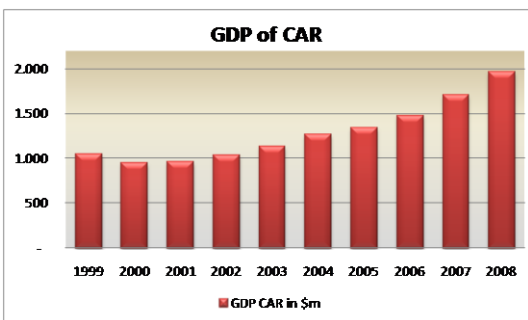
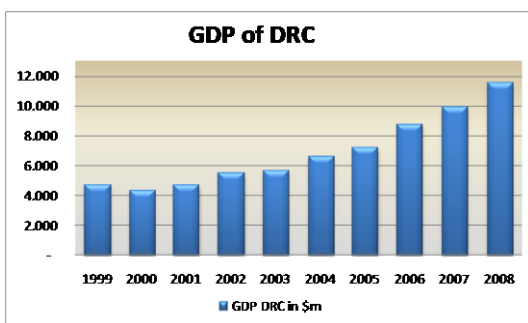
4.2. THE OPPORTUNITY: CAR AND DRC¹

POST-CONFLICT COUNTRIES

XSML management has a strong focus on stimulating SMEs in post-conflict countries. XSML believes contributing to the development of these economies is of vital importance to sustainable peace. XSML also takes into consideration that post-conflict countries have shown impressive economic growth and are an interesting investment opportunity. Nonetheless, many opportunities in these countries remain unexploited due to lack of risk capital and support. Traditional financial institutions do not cater risk capital to the SME sector. In addition, XSML plays an active role in creating and developing new SME fund managers in countries or regions where no active SME fund is present, thus opening up new markets. In many instances these new SME managers will be located in post-conflict countries.

DRC

DRC is one of the largest markets in Africa with a population of around 65 million and a land mass the size of Europe. The ninth largest country in the world, DRC plays a crucial role in the Central African region, with nine neighbouring countries. The Congolese enterprise sector was once the most vibrant in Central Africa and there is no doubt that it now offers the potential to make an important contribution to the country’s development. Economic reforms since 2001 resulted in a steady growth with GDP growth per capita on an annual basis rising from 5.8% in 2003 to 8% in 2008. Today, around 40,000 tax paying formal enterprises are registered, of which less than thousand are classified as “large enterprises”, which are still relatively small. This fund gives the opportunity to catalyze the growth of SMEs in these markets. DRC is so vast that the fund manager will start from Kinshasa and plans to open additional regional offices to be able to cover the different economic regions within DRC properly.



CAR

CAR has a population of around 4.5 million people. The country is politically relatively stable since 2005. Economic activity concentrates in the capital Bangui. CAR is rich in minerals, diamonds and agriculture; however, GDP per capita is USD 410. Currently no PE fund is active in CAR. CASF will be the first local PE fund for both countries and has the potential to become market leader.

¹ Additional information on both DRC and CAR is provided in Annex 4 and 5.

4.3. TARGETED RETURN

The Fund's target gross internal rate of return (IRR) to its ordinary investors is 25 per cent per annum in USD terms, and the target internal rate of return net of fees and expenses is around 16 per cent, although no assurances can be given that this target will be achieved and significant risks are associated with this type of investment, as outlined in Annex 2 of this document.

5. INVESTMENT OBJECTIVES, STRATEGY, TA

5.1. INVESTMENT OBJECTIVES

The Fund's principal objective is to realise superior returns through the income from - and capital appreciation of - private equity and quasi equity investments made principally through investments in SME companies based in DRC and CAR. Additionally, The Fund strongly believes in achieving sustainable economic growth by encouraging entrepreneurship. The Fund is striving to assume a leadership role in DRC and CAR in the untapped SME market. In addition to using mezzanine or quasi equity instruments, the Fund may obtain significant minority interests - or in some cases majority interests - in Portfolio Companies. Board representation and other shareholder rights enable control over key decision-making. The Fund will also seek the ability to acquire either majority holdings or voting control on key issues as part of its exit strategies. Achieving the objectives of the Fund is not, and cannot, in any way be promised or guaranteed by the Manager or the Depositary.

5.2. INVESTMENT STRATEGY

The Manager's investment strategy is to invest risk capital in sustainable growing companies in the SME-sector,

WHERE DO WE INVEST?

Example SME (2)

Company: "Eau de Jesus"


- **Project:** Local market mineral water company;
- **Sector :** Industry;
- **Activity:** Bottling mineral water for consumption;
- **Country:** Democratic Republic of Congo.

Investment

- **Total need:** US\$ 500,000;
- **Term of investment :** 5 years.

Social impact

- ✓ Provision of clean drinking water;
- ✓ Job creation.



thus generating attractive risk-adjusted returns to investors. This involves the creation of a balanced portfolio of income-generative and high-growth potential companies. In general, the Fund's investments are made through mezzanine or quasi equity instruments, including debt with profit sharing or a royalty scheme, preferred shares, convertible debt, or subordinated debt with warrants. Mezzanine financing offers the advantage of creating current income and cash flow through interest, while at the same time securing an upside potential. Mezzanine financing also reduces the reliance on an exit to achieve expected returns. Hence, mezzanine financing provides attractive risk adjusted returns. Most investments will be accompanied by Technical Assistance support. The Fund is striving to assume a leadership role in DRC and CAR in the untapped SME sector.

Direct equity participation in the company mainly serves as a control mechanism and provides the Fund with certain shareholder rights, such as board representation, information rights, and exit rights. The Fund normally claims board representation and the right to participate in, and influence, the conduct of management. These minority protection rights and rights of participation in management decisions should facilitate exits from investments in a timely fashion and maximise returns. The exit strategy will be agreed upon before entering the investment and is monitored during the investment period.

Investments by the Fund in SMEs will normally range from USD 100,000 to USD 500,000, with the possibility to make follow-on investments up to USD 500,000. The total number of investments at a fund size of USD 25,000,000 is estimated to range between 50 to 60 companies.

The target gross IRR for the Fund's overall portfolio is 25 per cent per annum, and the target net IRR to its investors is 16 per cent per annum in USD terms, net of fees, expenses and carried interest. No assurance can be given that these targets will be achieved, and there are significant risks associated with this type of investment. In addition, investing in SMEs in DRC and CAR brings significant costs.

CASF is an SME fund that invests in SMEs in DRC and CAR. The investment strategy includes:

- **Focus on fast growing second stage growth businesses**

CASF invests in second stage growth businesses in attractive growth markets. Second stage growth are companies that have been in operation for at least 3 years, have a proven management team, CASF will also invest in early stage and in selective cases in start-ups. However the majority of the investment portfolio will consist of second and early stage companies.

- **Maximum investment amount is USD 500.000 per SME**

CASF focuses on the small business segment within the SME scope. The majority of the investment opportunities in DRC and CAR are at this stage of the economic development still in the small business segment. A maximum investment size of USD 500.000 per company ensures an adequate diversification and maximum results with regard to social-economic impact: smaller SMEs create more jobs and employment for relatively uneducated and unskilled employees.

- **Local offices in DRC and CAR**

A strong local presence is crucial in achieving success; therefore, local offices will be opened in DRC and CAR. KingKuba Capital S.A., the joint venture of XSML and Cenainvest, will start with Cenainvest and XSML investment professionals; however, DRC and CAR staff will be selected and trained to ultimately run the investment company. The first office will be opened at first close in Kinshasa, DRC and a representative office in Bangui, CAR. The Manager plans to open additional offices in DRC to cover the different regional economic centres in order to construct a well-diversified portfolio of companies.

- **Hands-on approach through local presence**

A hands-on approach with very frequent on the ground contacts further ensures adequate monitoring and control. Cenainvest's regional experience learns that day-to-day contact and in-company presence is a crucial factor in achieving success when building companies in Central Africa.

We will put in place very robust policies of review, support and evaluation. For example, the investee performance review takes place every month. The focus is on performance, targets and strategy review in case of gaps. Every quarter, besides the day to day contact, the CEO and CFO of the Investee Company are invited for a review and planning exercise. Members of the Investment Committee participate in these reviews.

- **Maximum 30% in one sector**

CASF invests maximum 30% of committed capital in one single sector. CASF identified investment potential in a wide range of sectors, covering a.o. food processing, agri-businesses, transport, services, IT & Telecom, financial services, manufacturing, and hotel & leisure. Overall CASF expects the Fund to be well diversified over the different economic sectors in DRC and CAR.

- **Target 80% in DRC and 20% in CAR**

CASF aims to invest 80% of its assets in DRC and 20% in CAR. Although DRC has a population of 65 million and CAR has a population of 4.5 million, CASF aims to invest around 20% of its total capital in CAR.

- **Technical Assistance Facility**

IFC committed USD 3,049,750 for a TA facility. XSML believes the TA to be crucial for CASF's success. TA will be used to support the SME in its growth and expansion phase. A separate paragraph on TA is included in this PPM.

5.3. TECHNICAL ASSISTANCE

This paragraph describes the Technical Assistance (TA) for the Central Africa SME Fund. CASF is a new fund that will work with the poorest people in the most challenging business climates. CAR and DRC are at the very bottom of UNDP's Human Development Index and IFC's Doing Business Index. Furthermore, the relatively small investment size of maximum USD 500,000 results in relatively high transaction costs. Therefore, it is crucial to establish adequate and efficient TA structures.

1. SUSTAINABLE SETUP AND STARTUP OF THE FUND IN DRC AND CAR

In order to operate in DRC and CAR, two offices need to be equipped with basic office supplies and furniture. In addition to the actual setup of offices, it is crucial to prepare thoroughly for the start of the Fund. The start-up period of the Fund in DRC and CAR spans 6 months. The budget for this start-up period includes staff expenses, travel costs, incorporation of a management company in DRC ('King Kuba'), recruitment, office space and marketing costs. It does not include any of the legal fees that derive from setting up the Fund (FGR). The deliverables after the start-up period include two fully equipped offices, a large pipeline of possible investees, a management company in DRC, staff and a database with resumes of possible staff, and a marketing and media plan. The setup and startup of the Fund is primarily the responsibility of XSML Management, in close cooperation with Cenainvest. The TA monies will be accounted for by XSML Management following a Grant Agreement with IFC.

2. THE PROVISION OF TA FOR SME COMPANIES, THE INVESTEES, BOTH PRE- AND POST-INVESTMENT

Pre-investment

Prospective investee companies will, more often than not, need assistance in developing investment proposals. Prospective investees will benefit greatly from professional business plans with clear milestones and cash flow projections whether or not the investment will actually take place. Furthermore, prospective investees might need to implement better administration systems in order to comply with KYC, AML and reporting regulations before securing an investment. Pre-investment technical assistance is provided through identification of key points of improvement by the fund manager and tailored consultancy services by external consultants.

Post-investment

SMEs need both risk capital and knowledge transfers to develop successfully. As CASF's participations experience stages of strong growth and change, it will be essential to provide hands-on assistance to help SMEs overcome the challenges in their development. Technical assistance covers:

- 1) Governance
- 2) Strategic planning
- 3) Human Resource (recruitment/training)
- 4) Finance/Accounting
- 5) Tax/legal
- 6) Technology
- 7) Reporting

Post-investment TA is outsourced to external TA Partners, under normal commercial terms and conditions, after identification of the needs by the Fund Manager.

XSML is setting up a not-for-profit foundation incorporated in The Netherlands to manage the TA to investees. The foundation's mission is to support small business development in developing countries. The foundation will apply for tax exempt status in the Netherlands. The TA monies will be accounted for by the foundation, following a Grant Agreement with IFC and other possible donors.

WHERE DO WE INVEST?

Example SME (3)

Company: "Travail et Solidarité"


- **Project:** Microfinance Institution
- **Sector :** Financial Services;
- **Activity:** Providing saving and credit facilities;
- **Country:** Democratic Republic of Congo.

Investment

- **Total need:** US\$ 250 000 ;
- **Term of investment:** 5 years

Social impact

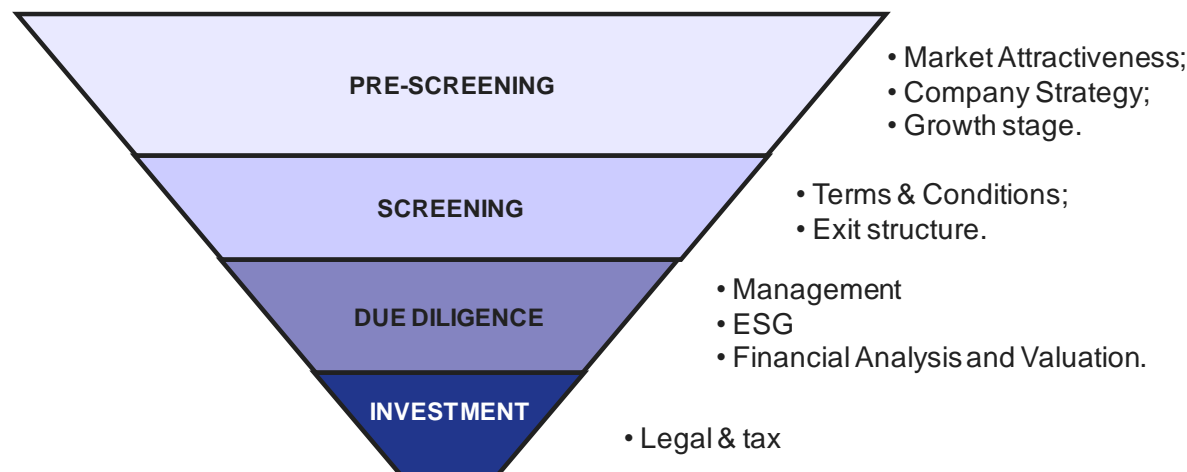
- ✓ Stimulating economic activities;
- ✓ Poverty reduction;
- ✓ Job creation.



6. INVESTMENT PROCESS

6.1. SOURCING, STRUCTURING, CLOSING

The investment process of the Fund centres around 3 key areas: deal sourcing, structuring, and closing.



Sourcing

Sourcing will take place through our local and international network. The local network consists of advisors (accountants, lawyers), the local businesses community, and local commercial banks, like Afriland First Bank, Eco Bank, and Procredit. Local commercial banks are an important channel for sourcing as local banks provide short term finance to companies where additional capital is needed. Moreover, local banks provide the necessary banking history/track record of the envisaged investee. The Fund maintains close working relationships with DFI's, such as IFC and FMO. CASF will be the only fund operating in DRC and CAR providing risk capital to SMEs. CASF will also source investments through the local IFC offices in Kinshasa and Bangui. IFC refers potential investees to the CASF fund. A comprehensive pipeline is created to make a final investment selection. With regard to structuring, CASF builds on Cenainvest's experience investing in small businesses.

Structuring

The Management Team negotiates the terms and structure of the transaction. Investment specialists apply their expertise and knowledge to design a tailored financial structure that aims to maximise returns, minimise risk, and secure exits. The Fund's objective is to obtain a combination of dividend income, interest, securities and long-term capital appreciation as a way of realising returns on investments with a focus on generating cash flow to the Fund during the life term of the transaction. The Management Team ensures that each transaction is structured in such a way that each Portfolio Entity is aligned with the Fund and its interests, with the expectation of providing maximum potential growth and above average investment returns. TA needs are consistently identified during the structuring phase.

Closing

Closing takes place after final approval of the Investment Committee. The Management Team will prepare an Investment Proposal detailing the investment rationale, the investment and the proposed financial structure. The Investment Committee will decide on each investment by majority vote. In addition the Management Team will present to the Investment Committee a pipeline of initially screened investments. The Investment Committee will decide on continuation of each initially screened investment. Once the Investment Committee has approved an investment, detailed contract negotiations will take place and an investment agreement will be concluded. A key element in the Fund's approach to minimising risk will be to obtain investor protection and other provisions within the investment agreement with the intention of mitigating risk while assuring the performance of the Portfolio Entity.

6.2. DUE DILIGENCE AND EXIT OPTIONS

Once an investment has been screened and preliminary approved by the Investment Committee, a letter of intent will be sent to the prospective SME before in-depth due diligence is undertaken. In general, due diligence addresses the following areas:

- **Quality of the Sponsor /Shareholder**
Checks on background, reputation and track record; local banks are used to check on past payment history;
- **Company strategy and market attractiveness**
Sector analysis on a domestic and regional basis, company operations and value, market positioning, profitability, competition, and growth prospects; External advisors are used for sector specific input;
- **Exit Options**
Self-liquidating instruments paid out of the cash flow of the investee, exits through MBO, put options, trade sales;
- **Cash Flow Analysis**
Analysis of historical and projected cash flows and verification of all key assumptions;
- **Capital Structure**
Tailored to investment's risk/return profile;
- **Valuation**
Entry and exit, benchmarking versus listed companies and recent market transactions;
- **ESG**
Verification of environmental and social impact and corporate governance;
- **Legal and Tax**
Verification of any legal and/or tax liabilities and implications.

Due diligence in other areas (i.e. technical) may also be carried out if additional risks have been identified. In principle the Management Team will conduct all its due diligence processes. Depending on the sector, specialists are hired to assist in the due diligence process. CASF has established partnerships with both international and local partners that can support the fund in certain technical areas.

6.3. INDICATIVE PIPELINE OF CASF INVESTMENTS

The Fund does not have a sector specific focus; however, investments in pure-play agriculture will generally not be considered due to the relatively low added value.

Industry/Business	Reason of investment	Amount USD	Country
Bottled water	Investment in production line	500,000	DRC
Rice cooperative	Warehouse, storage, distribution	500,000	DRC
Microfinance	Expansion loan portfolio, branch network	250,000	DRC
Construction materials (bricks)	Expansion production	100,000	DRC
Hotel	Finalize construction, add restaurant	100,000	DRC
Taxi	Renewal and expansion car fleet	400,000	DRC
Printing/advertising	Expansion of printing capacity	500,000	DRC
Heavy Transportation	Investment in trucks	300,000	CAR
Agri-business	Production of maize, tapioca	150,000	CAR
Food processing	Expansion of cold storage	250,000	DRC
IT/ E-governance	Production of smart cards for SMEs	300,000	DRC
Bakeries	Expansion bread production	350,000	DRC
Total		3,700,000	

The process of identifying commercially sustainable prospects with scalable business models is complex and time consuming. Notwithstanding the inherent challenges, the Fund has developed a strategy for project origination with local partners that ensures an ongoing and healthy pipeline. The current pipeline is well-diversified over a large number of sectors and sub-sectors. In post-conflict countries like DRC and CAR companies that provide basic goods and services provide excellent investment opportunities. Both DRC and CAR import many of their basic goods (i.e. food, consumer products, construction materials etc); however, these goods can be produced locally at lower costs. Examples in our current pipeline in this area are a rice cooperative, a construction materials company, a bottled water company, and a bakery. DRC and CAR also lack basic services like hotels, transport etc. Examples in our pipeline of investment opportunities are a taxi company, a hotel and a printing company. Lastly, penetration of financial services is low. Bank lending is expanding rapidly to accommodate economic growth. CASF has a microfinance company in its pipeline, but also identified other segments of financial services as attractive possible investment opportunities, examples include leasing, factoring, and insurance.

6.4. PORTFOLIO MANAGEMENT AND EXITS

The Manager will take a hands-on approach to the management of the Fund portfolio, including active participation in the board of directors of the SME companies aimed at creating value at the investee level. TA support is provided for monitoring and to assist the growth of the SME. Active participation at SME company level is fundamental in helping develop the SMEs, as well as ensuring that repayment of the financing is met through increased cash flows generated by the company. The Fund will have active monitoring and review practices throughout the life of the investment and additionally has strong review mechanics in place that allow the Fund to restructure loss-making investments, attract co-investors, keep investments moving forward to their next stage of development, and continuously assess potential exit strategies for its equity interests.

6.5. REPORTING TO INVESTORS

The Manager presents the investors quarterly reporting on the Fund's status, its pipeline, and a valuation of its assets. XSML will provide annual audited financial statements according to IFRS and IPEV valuation guidelines.

7. SMEs, IMPACT, AND ESG

7.1. SMES, THE MISSING MIDDLE: THE ENGINE OF ECONOMIC GROWTH AND POVERTY REDUCTION

Characteristics of the SME Marketplace

SMEs are the backbone of economies, worldwide. SMEs represent the dominant form of business organization worldwide, representing a total of 95% to 99% of enterprises. OECD and other studies show that SMEs account for two-thirds of private sector development; they are the primary source of job creation. SMEs are underserved by

WHERE DO WE INVEST?

Example SME (4)

Company: Brick of Kinshasa

- **Project:** Production of bricks;
- **Sector :** Construction;
- **Activity:** Production of bricks for construction;
- **Country:** Democratic Republic of Congo.

Investment

- **Total need:** US\$ 100 000 ;
- **Term of investment :** 5 years

Social impact

- ✓ Bringing down the cost of the construction materials;
- ✓ Job creation;



financial products. The private sectors of many emerging economies today are hindered by a "Missing Middle". Investors dedicate most of their efforts to either large corporations of over 500 employees or very small businesses with (less than) five employees; between these two extremes lies the small- and medium-sized enterprise (SME) sector with businesses that employ between 10 and 100 people. SMEs are often seen as being too minute to serve as significant drivers of economic growth, yet too large to benefit from microfinance institution schemes such as joint-liability programs.

SME banking terms and practices in developed and developing countries differ significantly. In a recent paper, the World Bank concludes that banks in both developed and emerging economies are actively serving SMEs. However, they also found that banking terms and lending

practices differ significantly. Banks in emerging markets point at macro-economic conditions and limited access to information from credit registries as hurdles in growing their lending practices, while competition in the SME segment is the main obstacle among banks in developed countries. Banks in emerging markets are more likely to make lending decisions based on a firm's credit history with a bank; they are also more likely to take the owner's characteristics into account than banks in developed markets.

Economic growth and the size of SME sector are correlated. World Bank researchers find a positive correlation between the size of a country's SME sector and the rate of economic growth. Thus, further economic growth will positively influence the growth of SME sectors in emerging markets.

SMEs are the drivers of economic growth and create basic need satisfaction for the poor

SMEs are the drivers of economic growth in developed and developing countries. SMEs introduce innovative ideas, create jobs, and develop new markets. More jobs and higher incomes for employees translate into basic need satisfaction for the poor: health care, education, and decent housing. As a group, SMEs can push economic reform and modernization. XSML considers the development and growth of small and medium sized enterprises as an essential element in the overall economic fabric of a country. Risk bearing capital in itself is not sufficient to grow small and medium- sized enterprises. SMEs will need to be supported with hands-on advice, mentoring and active participation from the investor. XSML combines expertise and networks of the public and private sector in order to support the SME in overcoming its growth obstacles. XSML enables SMEs to access financial resources, expertise, and international export markets. This facilitates SMEs to become sustainable, profitable enterprises that contribute to the economic and social fabric in their countries.

SME investments have a large positive impact on their communities without compromising the financial return objective of investors²:

- (A) The economic impact of investment in SMEs is significant. On average, every dollar invested generates an additional ten dollars in the local economy;

² The Development Impact of Small and Medium Enterprises: Lessons Learned from SEAF Investments.

- (B) Of the quantifiable results among stakeholders, the greatest share of benefits from the investments goes to employees, followed by governments;
- (C) Two-thirds of total employment goes to low-skilled workers, confirming that SMEs generate new jobs that are suitable for the poor;
- (D) Employees' annual real wage growth can be high: up to 28 percent for low-skilled workers and 34 percent for high-skilled workers;
- (E) Many of the enterprises invest heavily in training their workers during employment. Being forced to hire people with relatively low skills, they tend to invest disproportionately in training their employees;
- (F) Employees benefit from the stability of employment. Along with the payment of health and social security benefits, this helps them to accumulate tangible assets and plan or save for their children's education, hedging themselves against poverty and providing a path out of poverty for their children;
- (G) SMEs can provide access to formal markets for informal sector and rural producers; they form linkages between small-scale producers and lucrative national and export markets;
- (H) When SMEs expand, they pay more taxes, which represent up to 20 percent of these firms' total revenues;
- (I) SMEs are an integral part of the communities in which they operate and contribute actively to community development.

7.2. ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE PRINCIPLES

Due diligence of investees includes environmental, social, and governance principles

- Safe and healthy working conditions;
- Efficient use of natural resources and protection of the environment;
- The impact of operations on the local community;
- Business integrity and honesty;
- The absence of forced labor of any kind;
- The absence of child labor;
- Wages that are sufficient to meet basic needs;
- Proper records, reports, and reviews of financial and tax information.

Annex 3 includes an overview of IFC Performance Standards on Environmental & Social Sustainability and prohibited activities. The Manager has an Environmental and Social Management system in place to ensure screening and ongoing monitoring of investments on IFC environmental and social performance standards.

8. FUND, PARTICIPANTS AND PARTICIPATIONS

8.1. THE FUND

The Fund is a mutual fund (*fonds voor gemene rekening*) organized under the laws of the Netherlands. The Fund was formed on [●] for a limited period of time (see section 13, "Principal Terms and Conditions of the Fund"). The Fund qualifies as an investment fund (*beleggingsfonds*) as referred to in Article 1:1 of the Netherlands Financial Market Supervision Act (*Wet op het financieel toezicht*). The Fund is tax transparent for Dutch tax purposes and, as such, not subject to Dutch corporate income tax. The Fund is intended to qualify as tax transparent in any other jurisdiction as well.

The Fund is not a legal entity, but the aggregate of all Fund Assets and Fund Obligations. The Terms and Conditions governing the Fund form part of the contractual relationship entered into between the Manager, the Depositary and each Participant (separately) by means of a Participation Agreement and as such apply to their legal relationship.

The Fund nor the Terms and Conditions nor the Participation Agreement or any acts ensuing therefrom are intended to form a partnership, commercial partnership or limited partnership (*maatschap, vennootschap onder firma* or *commanditaire vennootschap*) between any person or entity being party thereto.

8.2. ADMISSION OF PARTICIPANTS

A Participant is admitted to the Fund by the issuance of Participations and registration of the new Participant in the Register of Participants. By signing a Participation Agreement, a Participant commits himself to make a financial contribution to the Fund (representing such Participant's "Commitment"), makes certain representations and warranties as contained therein and agrees to be bound by the Terms and Conditions.

Participations give the Participant a contractual claim against the Depositary for payment of an amount equal to the value of its share in the Fund subject to the Terms and Conditions. Thus, Participants have no proprietary rights with respect to the assets of the Fund but an economic interest in the assets of the Fund only (the Depositary holding legal title to the Fund Assets and Fund Obligations for the account of the Participants). Participations will be in registered form. Certificates representing Participations will not be issued. Participations have their base currency in USD.

8.3. CLASSES OF PARTICIPATIONS

The Participations are divided into Class A Participations and Class B Participations. The Class A Participations will be issued to ordinary investors; the Class B Participations represent carried interest rights and will be issued to the Manager or (affiliates of) the Key Persons. (See also section 13, "Principal Terms and Conditions of the Fund").

8.4. TRANSFER AND REDEMPTION OF PARTICIPATIONS

Participations cannot be transferred, other than, by way of redemption, to the Fund. Pending its term, the Fund will not be obliged to redeem Participations at the request of a Participant. During the entire term of the Fund, the Fund will, in principle, at the request of Participants redeem Participations provided that existing or new Participants are prepared to simultaneously subscribe for an equal number of new Participations (see also section 13, "Principal Terms and Conditions of the Fund").

9. MANAGER

9.1. ROLE, RESPONSIBILITIES AND INDEPENDENT STATUS

The Manager is the manager (*beheerder*) of the Fund and as such is responsible for the implementation of the investment concepts, in accordance with the Fund's investment policy, and for deciding on the Fund's investment activities.

The Manager is an independently active asset management company that is not related to any financial company. It offers independent thinking on asset allocation and investment themes, uses independent resources for its research and trading and has a transparent fee structure. Furthermore, the Manager is focused on investing for the professional segment of the market, and has no conflicts of interests due to the focus on investments only. The Manager may employ third parties in the exercise of its powers and duties under the Terms and Conditions. The Manager may delegate administrative and financial services in support of the Fund to professional counterparties. In managing the assets and liabilities of the Fund, the Manager will act solely in the interests of the Participants. XSML is the Manager of the Fund and will have sub-management agreements with KingKuba Capital SA (KingKuba) and Cenainvest SA. KingKuba will act as adviser to the Manager on investments in DRC, while Cenainvest will act as adviser on investments in CAR.

9.2. CORPORATE INFORMATION

The Manager, XSML Management B.V., was formed on 18 February 2008 and is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands having its statutory seat (*statutaire zetel*) in Amsterdam, The Netherlands and its business address at Science Park 400, Amsterdam, the Netherlands, registered with the Chamber of Commerce under number 34295151. The Manager is wholly-owned by the Management Team. The Manager's web address is www.xsml.nl.

9.3. REGULATORY STATUS

The Manager is exempt from the license requirement under the Act to act as manager (*beheerder*) in the Netherlands. The exemption under article 4(1)(a) of the Exemption Regulation to the Financial Supervision Act (*Vrijstellingsregeling Wet op het financieel toezicht*) can be relied upon as the Participations can only be acquired for a minimum amount of EUR 100,000 per Participant.

9.4. MANAGEMENT TEAM XSML

The Fund will be managed by a management team of experienced investment professionals based in the Netherlands. The three senior managers have experience in private equity, structuring financial transactions, corporate finance, and emerging capital markets in developing countries. Responsibilities of XSML include:

- Investment committee
- Hands-on involvement in screening & investment process
- Fund administration and Reporting under IPEV guidelines
- Management of TA Facility
- IFC / World Bank, DFI network and support
- Recovery & Restructuring Expertise

The Management Team is based in the Netherlands with frequent travel to the region for deal-sourcing, execution, and monitoring. The final responsibility of each investment lies with the XSML management team. As of the date of this Memorandum the Management Team consists of:

(A) Marcel Posthuma

Marcel Posthuma has more than 15 years banking experience in Africa and Asia. Marcel structured and executed mezzanine, equity and loan transactions in Asia for FMO (Dutch Development Bank). He gained experience with non performing Funds in Africa and acted as manager for the Asia team. Marcel was responsible for investments in SME Funds in India, Indonesia, Vietnam and China. Prior to this role he was responsible for recovery and workouts of loans and equity investments in Africa and Central Asia. Before joining FMO he has fulfilled various positions in ABN AMRO international financing operations covering Africa and South East Asia. He worked for two years in

Surinam for a subsidiary of ABN AMRO in a hyper inflation environment. Marcel graduated from the University of Leiden with an MA in Law.

(B) Jarl Heijstee

Jarl Heijstee has over 10 years experience in selecting, setting up, and managing investments funds in emerging markets. He is an expert in structuring private equity and mezzanine transactions in Latin-America, with a particular focus on SME and microfinance sectors. Jarl was a portfolio manager and analyst for Global Emerging Markets Equity Fund with ABN-AMRO, a consultant with Arcadis managing private sector investments projects in Eastern-Europe, and an investment officer for the FMO (Dutch Development Bank) in Latin-America and the Caribbean. Most recently, Jarl was based in La Paz, Bolivia, where he was responsible for setting up and rolling-out a local currency microfinance fund for Latin America and the Caribbean. Jarl holds an MA in Business Administration from the University of Groningen, and he is a Chartered Financial Analyst (CFA).

(C) Jan Vos

Jan Vos is an SME-entrepreneur with a proven track record. He founded @Globe (2000) and GovWorks (2004), now profitable internet companies, sold in a trade sale to SDU in 2008. Jan conceived the idea for the companies, wrote the business plans, realized investments by informal investors, contracted MT, partners & staff, supervised product development and contracted over 250 clients, amongst others leading multinational corporations and governmental organizations. Jan also co-founded ATPN, a foundation that trained NGO youth leaders in Central Europe in the mid-1990's. Mostly before embarking on his entrepreneurial career, Jan was politically active: he organized a demonstration of 20,000 students in the Hague and addressed the United Nations General Assembly as a member of the Netherlands delegation. Jan holds an MA in Contemporary World History from Erasmus University Rotterdam.

9.5. MANAGEMENT TEAM CENAINVEST

Sourcing of investments, deal structuring, and due diligence will primarily be the responsibility of local investment officers based in DRC and CAR. In order to operate effectively and to institutionalize the Fund, XSML starts a joint venture with Cenainvest, an investment company based in Cameroon, with current investments in DRC. The joint venture, KingKuba Capital S.A., will be based in DRC.

CENAINVEST S.A.

Cenainvest was established in 1998 as SME-Fund Management Company; a joint-venture between FMO and Afriland First Bank Cameroon in order to manage a small Seed Capital Fund. At first instance, Cenainvest was owned by both partners, each 50%. Now Afriland First Bank owns 60%, FMO 15%, the other shares are owned by the Management and Mr. Alamine Ousmane Mey. Cenainvest is now a well established company in Cameroon, with a mixed team of experienced and young investment managers. Cenainvest invested EUR 13.5 million in 33 projects (of which 18 start-ups) and created over 13.500 jobs. Responsibilities of Cenainvest include:

- Network and sourcing of investments in DRC and CAR
- Due diligence and structuring of investments.

KINGKUBA CAPITAL S.A.

XSML and Cenainvest will establish a joint venture (KingKuba Capital S.A) in DRC from which the investments will be made. At incorporation Cenainvest will hold 62.63% of the shares and XSML will own 37.37% of the shares. Ultimately, on a pro rate basis, 20% will be sold to the local management team. IFC also covers the start-up and set-up costs of the fund, excluding legal costs. This amount will be used to set up offices, training, build a pipeline and recruit people, market the fund etc. The Investment Manager, Mr. Emile Ymele, will be heading the office in Kinshasa as from Jan 1, 2010. A representative office will be opened in CAR to make the first investments. One dedicated person from Cenainvest will be placed in the office in Bangui. At the moment the Senior Investment Officer Mr. Baniara Yoyana has been selected for this post. Mr. Yoyana, from origin Chadian, has great experiences in working in difficult entrepreneurial circumstances in the Region of Central Africa. The team is constructed with specialists who have their experience and networks in different regions and sectors, thus having full coverage of these regions and sectors. XSML will manage the team, be in charge of investor relations, legal and financial areas of the fund itself. The Team is incentivized in accordance with market practice and is aligned with the interests of the Fund and its investors. The Managers are rewarded both on an individual as well as team basis.

(A) Albert Bengala

Albert Bengala is a graduate from Polytechnic School (Yaounde - Cameroon) and holds a Bachelor degree in Economics (University of Yaounde - Cameroon). He began his professional career in 1992 at Afriland First Bank (then CCEI) as a senior staff in the Research and Investment Department (DRI), where he got acquainted with the study and analysis of investment projects. Two years later, he was promoted assistant Director of that Department, then Director (1995). Between 1999 and 2002, he was Director of the Investment and Development Bank and accredited as the bank's Assistant General Manager. In 2003, he was appointed General Manager of Cenainvest, a position he has been holding until today. Albert serves as a member of the Board of Directors in a number of companies in the banking, insurance, and industrial sectors.

(B) Baniara Yoyana

Baniara Yoyana is a graduate from the Ecole Nationale de la Magistrature – France. He has held various positions as Chief Justice in Chad, his home country. As a political leader, he has served as Minister in charge of Agriculture, Minister of Transport and Civil Aviation, Director of The Civil Cabinet, and Secretary General at the Presidency. Baniara Yoyana has been General manager of STAR, an Insurance Company operating in Chad; he has served as a Board Member in several strategic companies including BDEAC (The Development Bank of Central African States), The ONPT (Telecom Company), BIAO BANK CHAD and Catholic Relief Services. He is currently Executive Secretary of Cenainvest (since 1999) and General Manager of CAMTOBACO, an investee company of Cenainvest where he manages the turnaround of the company. Baniara Yoyana enjoys a strong network in the business world of the sub region. Mr Baniara Yoyana will be responsible for CAR and set up the office in Bangui.

(C) Emile Ymele

Emile Ymele is an electro mechanical engineer from the Polytechnic School in Yaoundé, Cameroon. He has gained extensive experience in engineering and manufacturing in managerial positions. He joined Cenainvest in 2005 as Investment Officer. In this capacity, he originated and structured several deals in various sectors such as plastics industry, food processing, call centre, gas distribution, printing, and pharmaceutical industry. Emile Ymele will be heading up the new office in Kinshasa, DRC.

(D) Joel Ngongo

Joel Ngongo is a graduate from the University of Kinshasa in political science, DRC. Since 2004, Joel has held various positions in the banking sector in DRC, amongst others as a credit manager at Banque Congolaise, and a credit manager and loan officer at Procredit Bank DRC. During these years, Joel gained experience in setting up new offices, acquitting new customers for the bank and managing credit risk. Joel has also been a financial consultant to Celtel DRC and ADESCO between 2002 and 2004. Joel is currently being hired and will be trained in Cameroon at Cenainvest before the investment operations start in January 2010.

(E) Alain Manga

Alain has developed extensive experience in accounting since he graduated from ESSEC in 1987. He worked in SOPECAM (The Cameroon Government Official News Paper) for 15 years where he held all positions in accounting, including the management of the accounting department. He joined Cenainvest in 2002 as an Investment Officer. In this capacity, he originated and structured several deals in various sectors such as pharmaceutical industry, leasing, port management and cargo handling, and IT.

9.6. CARRIED INTEREST

The Manager (or persons or entities affiliated to the Manager) will share in a carried interest scheme giving rights to in total 20% of the Fund's profits provided that the Participants have been repaid the full amount of their Capital Contributions to the Fund and have received a 4% Preferred Return on their Capital Contributions. The carried interest will be divided as follows: 25% to XSML, 25% to Cenainvest, and 50% to KingKuba. Of the 50% of the carried interest to KingKuba, 80% will be divided among the staff.

9.7. LIABILITY OF THE MANAGER

The Manager shall only be liable towards the Participants for a loss suffered by them in connection with the performance of its duties and responsibilities under the Terms and Conditions, if and to the extent that such loss is directly caused by gross negligence (*grove schuld*) or wilful default (*opzet*) of the Manager. The Manager shall not be liable towards Participants for any loss suffered by them as a result of any act or omission of a third party.

The Manager will be indemnified out of the Fund Assets against any losses incurred by the Manager for which it is not liable.

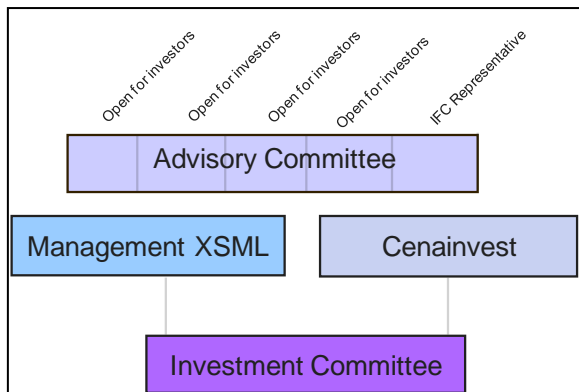
9.8. THE ADMINISTRATOR

The Manager has delegated certain duties in respect of the Fund's administration and financial administration to the Administrator. Notwithstanding the ultimate responsibility of the Manager, the Administrator will be responsible for the financial reporting, issuing draw down notices, performing know your customer requirements and keeping the Register of Participants. In addition the Administrator will assign two persons to the Depository, ensuring clear separation of responsibilities between the Manager and the Depository.

10. ADVISORY AND INVESTMENT COMMITTEE

10.1. ADVISORY COMMITTEE

The Fund has an Advisory Committee. The Advisory Committee is the controlling body of the Fund and the Manager. The Advisory Committee shall review the performance of the Manager, review asset valuations, provide guidance of the investment strategy, review progress on the Fund’s investments, review any conflicts of interests and review the Fund’s financial and annual budget. The Advisory Committee is comprised of a maximum of five



individuals who shall be appointed and removed by the Meeting of Participants and with consent of the Manager. One member shall be a representative from IFC, the remainder shall be appointed by the Class A Participants with the largest, second largest, third largest and fourth largest Commitments.

10.2. INVESTMENT COMMITTEE

The Fund shall have an Investment Committee. The Investment Committee shall review and analyse all investments and divestments proposed by the Manager. All investments and divestments shall be subject to approval by the Investment

Committee. The Investment Committee shall review the Portfolio Entities’ performances and review the fund’s investment pipeline to timely screen out inappropriate deals. The Investment Committee shall meet at least quarterly. Decisions shall be taken by majority vote. The Investment Committee shall be comprised of three private equity investment professionals, two of whom shall be members of the Management Team of XSML and one whom shall be a representative from Cenainvest.

11. DEPOSITORY

11.1. ROLE, RESPONSIBILITIES AND INDEPENDENT STATUS OF THE DEPOSITARY

The Depository is the Fund's depository (*bewaarder*) and as such will be the legal owner of all assets of the Fund and assume liabilities for the Fund in its name.

The Depository shall acquire and hold the Fund Assets for the purpose of management and custody (*ten titel van beheer en bewaring*) on behalf and for the account and benefit of the Participants and will receive any income and other proceeds on or derived from Fund Assets in a capacity of agent, nominee or otherwise on behalf and for the account and benefit of the Participants. Pursuant to the Terms and Conditions, the Depository will grant a power of attorney to the Manager to manage (*beheren*) the assets of the Fund in accordance with the Terms and Conditions.

The Depository's sole corporate objectives according to its bylaws shall be to act as depository for the Fund. The Depository shall not conduct any other activities. The Depository may place the Fund Assets in custody with a reputable custodian.

In acting as depository of the Fund, the Depository shall act solely in the interest of the Participants.

11.2. CORPORATE INFORMATION

The Depository, Stichting Depository Central Africa SME Fund, was formed on _____ 2009 and is a foundation (*stichting*) established under the laws of the Netherlands having its statutory seat (*statutaire zetel*) in Amsterdam, The Netherlands and its business address at Science Park 400, 1098 XH Amsterdam, The Netherlands, registered with the Chamber of Commerce under number _____. Pieter-Jan van der Pols and Erik Kuyl are the sole members of the board of directors of the Depository. Both Mr. Van der Pols and Mr. Kuyl are officers of the Administrator.

11.3. LIABILITY OF THE DEPOSITARY

The Depository shall only be liable towards the Participants for a loss suffered by them in connection with the performance of its duties and responsibilities under the Terms and Conditions, if and to the extent that such loss is directly caused by gross negligence (*grove schuld*) or wilful default (*opzet*). The Depository shall not be liable towards the Participants for a loss suffered by them as a result of any act or omission of a third party, including of a third party custodian.

The Depository will be indemnified out of the Fund Assets against any losses incurred by the Depository for which it is not liable.

12. SUBSCRIPTIONS / COMMITMENTS / CAPITAL CALLS

12.1. PROCEDURE

Applications for Participations should be addressed to the Administrator with a copy to the Manager by submitting to the Administrator with a copy to the Manager a signed Participation Agreement and the necessary identification documents.

The Manager reserves the right to accept or reject any application in whole or in part at its absolute discretion. Completed applications are irrevocable once received by the Manager. Upon issuance of the Participations in satisfaction of an application, the Depositary will confirm the number and value of the Participations issued in this way.

12.2. COMMITMENT

A subscription for a Participation implies the obligation of the Participant to make payments to the Fund up to USD 1,000 per Participation, if and when requested by the Manager (this obligation being such Participant's Commitment). The minimum Commitment of each Participant is USD 100,000.

12.3. PARTICIPANT REPRESENTATIONS AND WARRANTIES

The Participation Agreement requires each applicant for Participations to make certain representations and warranties to the Depositary and the Manager.

Fund of funds and intermediary vehicles may need to make additional representations to the Manager and the Administrator (including but not limited to compliance with know your customer and anti-money laundering rules).

12.4. PREVENTION OF MONEY LAUNDERING

Measures aimed at the prevention of money laundering will require an applicant for Participations to verify its identity to the Administrator. The procedure used by the Administrator is compliant with the Act on the Identification in Providing Services (*Wet identificatie bij dienstverlening*), as amended and restated from time to time, and the Act on the Disclosure of Unusual Transactions (*Wet Melding ongebruikelijke transacties*), as amended and restated from time to time. No investor will be admitted to the Fund and no Participations will be issued before the investor has complied with all requirements in respect of the prevention of money laundering.

12.5. CAPITAL CALLS

A subscription for a Participation implies the obligation of the Participant to make payments to the Fund up to USD 1,000 per Participation. Each Participant shall pay the unpaid balance of this Commitment (the "**Uncalled Commitment**") to the Fund in such instalments and at such dates as the Manager, in its sole discretion, shall request (a "**Capital Call**") and specify in a Capital Call Notice to the Participants. The Manager shall only request payment of part of the Uncalled Commitment if and when needed in order to finance investments and to pay other obligations, liabilities and expenses of the Fund, provided, furthermore, that:

- i. any amount called will be pro rata to the Participants' respective Uncalled Commitments; and,
- ii. a Capital Call shall be issued at least 15 Business Days before the actual payment date specified in the Capital Call Notice.

If any amount, which is the subject of a Capital Call, is not paid to the Fund on or before the Payment Date, the Participant concerned shall be in default and shall be a "Defaulting Participant". Pursuant to the Terms and Conditions, the Defaulting Participant is required to pay a certain interest to the Fund and the Manager may impose certain other sanctions.

13. PRINCIPAL TERMS AND CONDITIONS OF THE FUND

The following summary is a summary of the principal terms of the Fund. This summary does not purport to be complete and is qualified in its entirety by reference to, should be read in conjunction with, and is subject to the detailed provisions of the relevant Fund Documents.

Fund	Central Africa SME Fund, a mutual fund (<i>fonds voor gemene rekening</i>) to be established under the laws of the Netherlands. The Fund shall have its principal offices at Science Park 400, Amsterdam, The Netherlands.
Feeder and parallel vehicles	The Manager may procure the establishment of parallel and/or feeder entities in order to facilitate the specific tax, regulatory or other needs of certain (groups of) investors.
Investment holding companies	The Manager may structure investments of the Fund through investment holding companies wholly or partly owned and controlled by the Fund and may offer co-investment opportunities via such companies (see "Co-investment policy" below).
Targeted Fund size	The Fund targets a size of USD 25 million of Total Commitments. However, the Manager may decide to have a first closing of the Fund ("First Closing") at a fund size of at least USD 12.5 million of Total Commitments.
Term of the Fund	The term of the Fund shall expire on the 30th day of December immediately following the tenth (10th) anniversary of the date of First Closing. The Term of the Fund may be extended by up to two (2) additional one-year periods by a resolution of the Manager, which is subject to the prior approval of the Advisory Committee given by resolution taken with the affirmative vote of 80% of all votes and taken prior to the expiration of the tenth, or, if the term had already been extended, the eleventh year of the term of the Fund.
Investment Objective and Strategy	The Fund's principal objective shall be to realise superior returns through the income from, and capital appreciation of, private equity and quasi equity investments made principally through investments small and medium-sized companies based in Democratic Republic of Congo (DRC) and The Central Republic of Africa (CAR). The Fund aims to have 80 per cent of the Fund's investments made in DRC and 20 per cent in CAR.
Exit strategy	The Fund aims to have a majority portion of its investments in self-liquidating instruments (including quasi equity or mezzanine structures). In case of equity stakes, the primary exit strategies shall include sale to strategic or financial partners entering or expanding into DRC or CAR, listing on local exchanges, or sale to majority shareholders.
Targeted return	The targeted gross return is 25%. The Fund intends to target a net rate of return (IRR) to Class A Participants of 16% in USD (net of fees and expenses and Carried Interest). No assurance can be given that the Fund shall achieve this target and there are significant risks associated with this type of investment.
Investment Restrictions/Diversification	The Fund shall not: <ul style="list-style-type: none"> ▪ purchase or sell publicly traded options or futures, or enter into swap

transactions or speculative derivative transactions, except to implement a hedging or other risk-reduction strategy.

- borrow money for the temporary finance of investments without Investment Committee consent to make the relevant investments.
- invest not more than 5% of total committed capital in any single investee, unless otherwise approved by the advisory committee.
- invest more than 30% in one single sector.
- not own more than 20% in a group of portfolio companies or related entities.

Furthermore:

- The fund shall limit its exposure to in any single country to no more than 90% of total portfolio.
- the Fund shall follow the IFC Performance Standards set out in Annex 3, Part 1.
- the Fund shall not invest in companies which (directly or indirectly) engage in any prohibited activities (being any of those activities set out in Annex 3, Part 2).

Bridge financing

The Fund may only incur or assume indebtedness up to a maximum of 10% of Total Commitments with a maturity not exceeding 6 months (short term) and only in order:

- i. to temporarily finance investments pending draw down of Commitments;
- ii. to cover expenses of the Fund pending draw down of Commitments; and,
- iii. to finance redemptions of Participations pending draw down of Commitments.

Any indebtedness shall be incurred and provided on a non-recourse basis meaning that recourse can only be taken on the assets of the Fund; no Participant shall be liable in excess of its Commitment.

Co-investment policy

The Manager, at its own discretion, may provide to Participants and/or third parties the opportunity to co-invest with the Fund in one or more Portfolio Entities, if the Manager reasonably believes such co-investment can benefit such Portfolio Entities.

It is expected that in certain circumstances the Manager and the Fund shall be bound by co-investment agreements with such other investors to allow those investors in the relevant country in which the Fund is making an investment to invest in the relevant Portfolio Entity on the same terms as the Fund.

Manager

XSML Management B.V., a Dutch private limited liability company with its principal offices at Science Park 400, Amsterdam the Netherlands, in its capacity as manager (*beheerder*) of the Fund.

The Manager shall make all investment and divestment decisions for the Fund and may entrust part of its duties and authorities to third parties. The Manager shall remain responsible for the duties and authorities so delegated.

Removal of the Manager

The Manager may be removed for Cause by resolution of the Participants taken representing at least 50% of the total Commitments of the Class A Participants (but excluding the Commitments of the Manager and Affiliates of the Manager).

The Manager may be removed without Cause by resolution of the Participants taken with the affirmative vote of at least three (3) Participants, representing at least 66.7% of the total Commitments of the Class A Participants (but excluding Commitments of the Manager and Affiliates of the Manager).

If the Manager is removed without Cause the Manager shall be entitled to a reimbursement at the charge of the Fund equal to six months Management Fee he would be entitled to if the Manager was not removed.

Following the removal of the Manager without Cause, the Manager shall be entitled to retain a pro rata portion of its Carried Interest in respect of all Fund investments made prior to its removal which portion shall be equal to the period during which the Manager acted as Manager of the Fund expressed as a percentage of the deemed Fund term of eleven years.

However, the Manager shall lose all its rights on Carried Interest if the Manager is removed for Cause.

Key Persons

Jan Vos, Jarl Heijstee, Marcel Posthuma and one representative of Cenainvest S.A. and/or, as the case may be, such other persons as have been approved as additional or substitute Key Persons of the Fund in accordance with the applicable provisions of the Terms and Conditions.

Key Persons' Commitment

The Key Persons and/or affiliates of the Key Persons shall at all times make aggregate Commitments at least of 1% of Total Capital Commitments.

Key Persons Event

If two out of four Key Persons cease, for any reason, to devote substantially fifty percent (50%) or more of their business time to the affairs of the Fund, the USD can be suspended by majority resolution of the Advisory Committee taken with the affirmative vote of all members representing the Class A Participants, and the Manager shall not be permitted to make further investments save for investments for which the Fund had already made a commitment before the date on which the Investment period was suspended.

If within 180 days after the suspension date the Manager nominates, and the Advisory Committee approves, by majority resolution taken with the affirmative vote of all members representing the Class A Participants, qualified replacements for the departed Key Persons, the suspension shall end and the Investment period shall continue. If such qualified replacements are not nominated and approved within such 180-day period, the Investment period shall terminate. The Manager shall have the right at any time to designate a qualified professional to become an additional or substitutive Key Person with the qualified consent of the Advisory Committee as mentioned above.

Closings

The First Closing of the Fund is scheduled to take place on or before 1 January 2010, but may take place at any earlier or later date as determined by the Manager in its sole discretion.

Subsequent closings (each a "Subsequent Closing") may occur at the sole discretion of the Manager, but the final closing shall occur no later than eighteen (18) months from the First Closing (the "Final Closing").

Subsequent Closings / Late entrance

Participants admitted to the Fund, or existing Participants increasing their Commitment at a Subsequent Closing ("Additional Participants") shall be treated as if they had been admitted, or as if the increase has been included in their respective Commitment at the First Closing.

An Additional Participant shall participate in all investments made, and fees and expenses incurred before its admission to the Fund pro rata with the existing Participants (unless there has been a material change or significant event relating to an investment in which such Participant is to participate that would justify a different valuation in the discretion of the Manager) and shall contribute the following amounts to the Fund:

- i. its pro rata share of all drawn down Commitments, as determined by the

- Manager, as if the Additional Participant had been admitted, or as if the increase has been included in its Commitment at the First Closing; and
- ii. such additional amount as the Manager shall establish, subject to the prior approval of the Advisory Committee, which amount shall be received by the Fund for the benefit of the existing Participants.

Minimum Commitment	The minimum Commitment of each Participant shall be USD 100 thousand.
Capital Calls	After the First Closing, Commitments shall be drawn down by the Fund by means of Capital Calls by the Manager on an as-needed basis with at least 15 Business Days' prior written notice to the Participants.
Investment Period	<p>The Investment Period of the Fund shall start on the date of First Closing and shall end (i) on the date of the fifth anniversary of First Closing or, (ii) such later date as to be determined, subject to the approval of the Advisory Committee, by the Manager;</p> <p>After the expiration of the Investment period, the Participants shall be released from any payment obligation in respect of the uncalled part of their Commitments, except of Capital Calls made to:</p> <ol style="list-style-type: none"> i. pay ongoing obligations and operating expenses of the Fund, including management fee; ii. make follow-on investments by the Fund in existing Portfolio Entities in order to enhance, protect or preserve the value of such investment, provided that such capital calls shall in total not exceed 10% of the Total Commitments; and, iii. repay indebtedness of the Fund that is outstanding at the end of the Investment period.
Defaulting Participants	<p>Upon any failure to comply with a Capital Call Notice, interest shall accrue on the unpaid amount at a default interest rate of Libor 6-months plus 10%.</p> <p>If the unpaid amount, plus interest thereon, is not paid within 15 Business Days following the date it is due, the Manager (in addition to other sanctions that may be imposed) may determine that the Participant concerned ceases to be an Participant for all purposes, retaining only a right, subject to cash being available to the Fund, to repayment of such Participant's Capital Contribution reduced by 50% of that amount, this amount being due by the Fund only after all other Participants shall have received full repayment of their Capital Contributions plus their Preferred Return.</p>
Transfer and encumbrance of Participations	Participations cannot be transferred, other than to the Fund (as redemption). Participations cannot be pledged or encumbered otherwise.
Redemption of Participations	<p>Pending its term the Fund will not be obliged to redeem Participations at the request of a Participant.</p> <p>In addition, the Fund will, in principle, but at the sole discretion of the Manager, at the request of a Participant cooperate with the redemption of Participations provided that existing or new investors are prepared to simultaneously subscribe for a number of new Participations equal to the number of Participations to be redeemed.</p>
Advisory Committee	The Fund will have an Advisory Committee, comprising up to five (5) individuals to be appointed by the participants with the largest, second largest and third largest Commitments. Participants entitled to appoint one or more members of the Advisory Committee may at any time replace any member appointed by him.

The Advisory Committee shall, among other matters:

- (A) review asset valuations provide guidance on the implementation of the Funds investment strategy;
- (B) review progress on the Fund's investments;
- (C) review any conflicts of interests;
- (D) review the Fund's financial statements and annual budget.

The Advisory Committee may establish subcommittees to deal with specific issues.

The Advisory Committee shall meet at least twice per year. All members of the Advisory Committee shall be entitled to cast one vote. Decisions shall be taken by majority vote.

Investment Committee

The Fund shall have an Investment Committee, comprising three individuals, two (2) of whom shall be members of the Manager and one(1) of whom shall be appointed by Cenainvest S.A.

The Investment Committee shall:

- (A) review and analyse all investments and divestments proposed by the Manager and all investments and divestments shall be subject to a prior approval by the Investment Committee;
- (B) actively oversee the Fund's investment and exit processes;
- (C) review the Portfolio Entities' performances; and
- (D) review the Fund's investments pipeline to timely screen out inappropriate deals.

The Investment Committee shall meet at least quarterly. The Investment Committee shall adopt decisions by majority vote..

Indemnification

The Fund shall indemnify the Manager, the Depositary and their respective directors employees, agents, advisors, and each of the members of the Fund's board's and committees against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, claims, demands, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any of them howsoever arising, other than by reason of gross negligence (*grove schuld of toerekenbare nalatigheid*), fraud or wilful misconduct (*opzet*) in the performance or non-performance by any of them under the Fund Documents.

Fund Operational Costs and Expenses

All costs and expenses of the Fund in connection with the organisation and operations of the Fund which are not expressly borne by the Manager (see "Management Fee" and "Organisational Fee" below) shall be cost of the Fund. Accordingly, the Fund shall bear all of its costs, including but not limited to:

- (A) the Management Fee;
- (B) the Organisational Expenses;
- (C) transaction costs and expenses directly related to the purchase, holding, or sale of investments (including broken deal costs related to unsuccessful acquisitions and disposals);
- (D) accounting expenses, auditing fees, bank charges, legal fees, representation and publicity expenses, and other direct out-of-pocket costs;
- (E) taxes payable by the Fund, if any;
- (F) fees of any custodian, administrator, investment management advisor, and other agents and advisors appointed by the Manager;
- (G) the costs of reasonable directors' and officers' liability insurances on behalf of the Manager, the Depositary and their key officers and

- employees;
- (H) the costs of meetings of any of the Fund's committees and reimbursements of reasonable costs incurred by the members of these committees.

Organisational Expenses

The Manager shall pay all organisational expenses incurred in the formation of the Fund (such as costs of legal and financial advisors and other costs and fees directly connected with the incorporation, out-of-pocket expenses and costs connected with pre-establishment preparatory and research activities up to the Final Closing).

The Manager shall be entitled to receive from The Fund an Organisational Fee amounting to a maximum amount of USD 150,000. Organisational Expenses not covered by the Organisational Fee shall be borne by the Manager.

Management Fee

During the Investment period, the Manager shall be entitled to receive an annual management fee equal to 4.25% of Total Commitments over the amount of the Total Commitments, but with a minimum of USD 350,000 per annum.

After expiration of the Investment Period, the Manager shall be entitled to receive an annual Management Fee equal to 4.25% of the aggregate acquisition cost and capitalized expenses of the Fund's investments reduced by the costs of fully written-off investments and disposed of investments (determined as per the end of the immediately preceding quarter), but with a minimum of USD 350,000 per annum.

The Management Fee is payable quarterly in advance.

The following operating expenses are deemed to be borne by the Manager out of the Management Fee:

- i. salaries of the employees of the Manager and its affiliates,
- ii. marketing expenses,
- iii. travel and lodging expenses ,
- iv. office costs,
- v. secretarial, administration, accounting and other advisory expenses of the Manager and its Affiliates.

Placement Fees

Placement fees based on market standard conditions shall be paid and borne by the Manager.

Monitoring, transaction and similar fees

The Fund may charge Portfolio Entities and prospective Portfolio Entities directors' fees, transaction fees, monitoring fees and other similar fees. All such fees, net of any related expenses, shall on a fifty/fifty basis be allocated between and be for the benefit of the Fund respectively the Manager.

Abort costs

All costs related to a proposed investment that does not complete shall be borne by the Fund on the understanding that the Manager shall primarily undertake best efforts to charge these costs to the prospective Portfolio Entity and/or any other involved party other than the Fund.

Distributions of Proceeds

All Net Proceeds shall, subject to reinvestment (see "Reinvestment" below), be distributed to the Participants as soon as reasonably possible after receipt, but in any event not less frequent than once each calendar year.

All distributions shall be made in the following order of priority:

- (A) First, 100% to the Class A Participants until the cumulative distributions to

- such Participants equal the aggregate drawn down Commitments of such Participants;
- (B) Second, 100% to the Class A Participants until the cumulative distributions to such Participants are sufficient to provide such Participants with a 4% Preferred Return;
 - (C) Third, 100% to the Class B Participants until the Class B Participants have received 22.2% of the excess of (i) the cumulative distributions made pursuant to sub (A) up to and including (B), over (ii) the total drawn down Commitments of the Class A Participants described in paragraphs (A) and (B) above; and,
 - (D) Fourth, 80% to the Class A Participants and 20% to the Class B Participants.

Form of Distributions

Distributions prior to the dissolution of the Fund shall be made in cash. Upon dissolution of the Fund, distributions may also include restricted securities or other assets of the Fund for which the Manager shall generally seek a valuation from independent experts.

Reinvestment of Proceeds

The Manager may, during the Investment Period only and subject to the prior approval of the Investment Committee, reinvest:

- (A) all dividends, interest and other income received from its investments; and,
- (B) all proceeds received following a divestment or partial divestment, but only up to the amount which equals the cost price (including applicable fees and expenses) of the disposed (part of such) investment.

Claw back

Upon termination of the Fund, the Class B Participants shall be required to return to the Fund distributions of Carried Interest previously received to the extent that they exceed the amounts that should have been distributed to the Class B Participants as Carried Interest pursuant to "Distributions" above applied on an aggregate basis covering all transactions of the Fund. In no event, however, the Class B Participants shall be required to return more than the cumulative Carried Interest distributions received by the Class B Participants net of income taxes paid thereon by the Class B Participants or their shareholders or partners.

Participants' Giveback

The Manager may require that each Participant returns distributions (or any part thereof) previously made to such Participant (or to any of its predecessors) in order to meet such Participants' pro rata share of the Fund's obligations (including the indemnity obligations), provided that no Participant shall be required to return distributions:

- i. in excess of 25% of the aggregate amount of distributions actually received by such Participant; and
- ii. after the third anniversary of the date of such distribution.

The distributions made or to be made by the Fund shall be appropriately adjusted to take into account any amounts contributed to the Fund, as reasonably determined by the Manager.

Successor Funds

The Manager and its affiliates shall not market or close any other investment fund with objectives, criteria and risk profiles substantially similar to those of the Fund until 75% of the Total Commitments shall have been invested, expended, committed to be invested or reserved for future management fees and other operational costs, unless approved by the Participants, subject to an affirmative vote representing at least 51% of the Total Commitments with the exception of the XSML SME Fund.

Valuation Principles	International Financial Reporting Standards (IFRS), International Private Equity Valuation (IPEV) guidelines.
Reporting to Participants	<p>Annual Reporting. The Fund's fiscal year is equal to the calendar year. The Manager shall furnish or cause the Participants to be furnished (within 120 days after the year end) with audited annual accounts.</p> <p>Interim Reporting. The Fund shall provide Participants with i) a quarterly un-audited report containing basic financial information on the Fund and its investments within 60 days after the quarter end, ii) one copy of the Fund's deal flow pipeline report within 60 days after the quarter end.</p>
Amendments	<p>The Terms and Conditions shall set forth certain procedures for their amendment, including a provision allowing the Manager to:</p> <ul style="list-style-type: none"> i. make changes negotiated with Participants admitted at a Subsequent Closing so long as the changes do not adversely affect the rights and obligations of any existing Participant in any material respect and the amendment is not objected to by Class A Participants representing 66.7% or more of the Total Commitments within 15 Business Days of being given written notice thereof; and ii. make any other amendments so long as the changes do not adversely affect the rights and obligations of any existing Participant in any material aspect and the amendment is approved by Class A Participants representing 66.7% or more of the Total Commitments.
Tax Considerations	The Fund qualifies as a tax transparent entity for Dutch tax purposes. In order to warrant the Fund's treatment as a tax transparent entity, Participations cannot be transferred or sold other than to the Fund.
Cornerstone Investors	IFC/Worldbank. Cornerstone investment talks with investors are pending.
Fund Documents	The Fund's key organisational documents are its Terms and Conditions and the Participation Agreement.
Governing Law	The Fund's organisational documents shall be governed by Dutch law.
Legal and tax Counsel	Clifford Chance, Amsterdam, the Netherlands.
Auditors	KPMG Accountants, Amsterdam, the Netherlands.
Administrator	Circle Investment Support Services, Amersfoort, the Netherlands.

14. TAXATION

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a Participant, and does not purport to deal with the tax consequences applicable to all categories of Participants. Participants should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Participations.

14.1. TAXATION OF THE FUND

The Fund is transparent for Dutch corporate income tax purposes. As a consequence, the Fund is not subject to Dutch corporate income tax (*vennootschapsbelasting*) or Dutch dividend withholding tax (*dividendbelasting*).

14.2. TAXATION OF PARTICIPANTS

Dutch Resident Participants

Participants who are individuals and are resident or deemed to be resident in the Netherlands, or who have elected to be treated as a Dutch resident Participant for Dutch tax purposes shall generally be taxed annually on a notional income of 4% of their net investment assets, including the value of their Participation(s), at a rate of 30%, regardless of whether any distributions are received or any capital gains are realised with respect to the Participation(s), provided the Participation(s) are held as a portfolio investment and not, for instance in the context of any business.

Corporate and institutional Participants that are resident or deemed to be resident in the Netherlands, without being exempt from Dutch corporate income tax, shall be subject to Dutch corporate income tax on all income and gains realised in connection with the Participations. As the Fund is transparent for Dutch corporate income tax purposes, such income and gains shall consist of any income derived and any gain realised in respect of the Fund investments in proportion to the Participant's participation in the Fund.

Due to the transparency of the Fund for Dutch corporate income tax purposes, changes of the proportional interest of a Participant e.g. as a result of a new Participant investing in the Fund may lead to a realization of capital gains for Dutch corporate income tax purposes.

Dutch tax resident Participants, whether private individual, corporate or institutional, may, depending on the source country of the relevant Fund Investment and the interpretation of any applicable tax treaty between such country and the Netherlands, benefit from certain exemptions and/or reductions from withholding and capital gains tax relating to the Fund Investments. Any remaining withholding tax on the level of the Fund Investments is generally creditable to Dutch resident private individual Participants and corporate and institutional Participants that are subject to Dutch corporate income tax.

Non-Dutch Resident Participants

Non-Dutch resident Participants shall normally not be subject to Dutch income or corporate taxation with respect to income or capital gains realised in connection with a Participation, unless there is a specific connection with the Netherlands, such as an enterprise or part thereof which is carried on through a permanent establishment in the Netherlands. For a Participant holding the Participations in the context of an enterprise it cannot be ruled out that a permanent establishment is deemed to exist.

A Participant shall not become resident or deemed to be resident in the Netherlands only by reason of the holding of a Participation.

ANNEX 1: SOME DEFINITIONS USED IN THIS MEMORANDUM

Whenever used in this Memorandum, the following terms shall have the definitions stated hereinafter:

“Act”	shall be taken to mean the Netherlands Financial Markets Supervision Act (<i>Wet op het financieel toezicht</i>);
“Business Day”	shall be taken to mean a day on which banks are generally open for business in the Netherlands;
“Capital Call”	shall be taken to mean a request of the Manager to the Participants for payment to the Fund of all or part of the Participants' Undrawn Commitments;
“Capital Call Notice”	shall be taken to mean the written notification by the Manager of the Participants of a Capital Call;
“Capital Contribution”	shall be taken to mean the cash amount drawn down (whether as a single amount or as an aggregate amount, as the context may require) by the Manager and contributed to the Fund by a Participant in payment of his Commitment, for the period during which such amount or part thereof was outstanding and not repaid to the Participant;
“Cause”	shall be taken to mean, in respect of the Manager, (i) its gross negligence, reckless disregard, fraud, or wilful misconduct in the performance of its duties and responsibilities as Manager, or (ii) the Manager having committed a crime, involving fraud and/or financial dishonesty;
“Commitment”	shall be taken to mean the amount a Participant upon the subscription for Participations commits to pay to the Fund, subject to and in accordance with the applicable provisions of the Terms and Conditions;
“Depositary”	shall be taken to mean Stichting Depositary Central Africa SME Fund, a foundation (<i>stichting</i>) established under the laws of The Netherlands having its statutory seat (<i>statutaire zetel</i>) in Amsterdam, the Netherlands and its business address at Science Park 400, Amsterdam, the Netherlands, registered with the Chamber of Commerce under number _____, or such other depositary as may be appointed from time to time in accordance with the Terms and Conditions;
“USD”	Means United States Dollar, the lawful currency of the United States of America;
“Fund”	shall be taken to mean the aggregate of the Fund Assets and the Fund Obligations, in which monies or other assets are called or received for the purpose of collective investment by the Participants, as governed by the Terms and Conditions and the Memorandum, also referred to as the “Central Africa SME Fund”;
“Fund Assets”	shall be taken to mean the Fund Means and the Fund Investments;
“Fund Investments”	shall be taken to mean all Securities, Derivatives and/or other assets (<i>goederen</i>) other than Fund Means that are acquired by the Depositary (or the Manager in the name of and on behalf of the Depositary) and held by the Depositary in its own name on behalf and for the account of the Participants in connection with the Fund;
“Fund Means”	shall be taken to mean all Cash that is acquired by the Depositary (or the Manager in the name of and on behalf of the Depositary) and held by the Depositary in its own name on behalf and for the account of the Participants in connection with the

Fund;

"Fund Obligations"	shall be taken to mean the obligations, which the Depositary (or the Manager on behalf of the Depositary) assumes and/or incurs in its own name on behalf and for the account of the Participants in connection with the Fund and any obligations assumed and/or incurred in accordance with Article _____ of the Terms and Conditions;
"Manager"	shall be taken to mean XSML Management B.V., a private company with limited liability (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) incorporated under the laws of the Netherlands having its statutory seat (<i>statutaire zetel</i>) in Amsterdam, the Netherlands and its business address at Science Park 400, Amsterdam, the Netherlands, registered with the Chamber of Commerce under number 34295151, or an affiliate thereof or such other Manager as may be appointed from time to time in accordance with the Terms and Conditions;
"Management Fee"	shall be taken to mean the Manager's remuneration to be calculated in accordance with the provisions of Article _____ of the Terms and Conditions;
"Meeting of Participants"	shall be taken to mean the meeting of Participants referred to in Article _____ of the Terms and Conditions;
"Memorandum"	the Information Memorandum relating to the Fund (including its annexes);
"Net Asset Value"	shall be taken to mean the balance, expressed in USD, of the value of the Fund Assets minus the value of the Fund Obligations, determined in accordance with the provisions of Article _____ of the Terms and Conditions;
"Net Proceeds"	shall be taken to mean the total amount of the net distributions from portfolio investments, net proceeds from divestments and all other proceeds and receipts of the Fund, available for distribution to the Participants after payment of or making appropriate reservation for any ongoing and future obligations and liabilities of the Fund;
"Participant"	shall be taken to mean a person or entity that, as holder of Class A Participations (a " Class A Participant ") or Class B Participations (a " Class B Participant ") participates in the Fund in accordance with the Participation Agreement and the Terms and Conditions;
"Participation Agreement"	shall be taken to mean the participation agreement between the Depositary, the Manager and each of the Participants individually, as amended from time to time;
"Participations"	shall be taken to mean the units in which the rights of the Participants in respect of the Fund have been divided, viz. participations of class A (" Class A Participations ") and participations of class B (" Class B Participations "), each having a par value of one thousand USD (USD 1,000);
"Placement Fees"	shall be taken to mean fees payable to distribution channels/intermediaries for attracting funds from investors;
"Portfolio Entities"	shall be taken to mean small and mid-sized companies in which the Fund holds an investment;
"Preferred Return"	a return on investment of the Class A Participants, expressed as a percentage, compounded annually, on such Participants Capital Contributions;
"Register of Participants"	shall be taken to mean the register stating the names, addresses and numbers of Participations of respectively held by all Participants;

“Subscription Date”	shall be taken to have the meaning ascribed to it in Article _____ of the Terms and Conditions;
“Terms and Conditions”	shall be taken to mean the terms and conditions of management and custody (<i>voorwaarden van beheer en bewaring</i>) of the Fund, as amended from time to time;
“Total Commitments”	shall be taken to mean the total of all Commitments committed by each of the Participants to the Fund; and
“Valuation Date”	shall be taken to have the meaning ascribed to it in Article _____ of the Terms and Conditions.

ANNEX 2: RISK FACTORS

There can be no assurance that the Fund's investment policy shall be successful or that the Fund shall achieve its Investment Objectives. An investment in Participations carries a high degree of risk and is suitable only for persons who can bear the risk of losing their entire investment. Potential Participants should consider, among others, the risks mentioned below, review this Memorandum and its ancillary documents such as the Participation Agreement carefully and in their entirety and consult with their professional advisors. Returns on past investments are no guarantee as to the returns on future investments. This Memorandum does not purport to identify, and does not necessarily identify, all of the risk factors associated with investing in the Participations and certain risks not identified herein may be substantially greater than those that are. Accordingly, each prospective Participant, prior to making any investment decision, must conduct and subsequently rely upon its own investigation of risk factors associated with the proposed investment. The value of the investments may fall as well as rise. Investment in the Fund should therefore be regarded as long-term and should only form part of a diversified investment portfolio. An investment in the Fund requires the financial ability and willingness to accept for an indefinite period of time the risk and lack of liquidity inherent in the Fund.

1. INVESTMENT RISKS

1.1 EMERGING MARKETS

Investments in emerging markets can fluctuate significantly in price due to the immature nature of those capital markets and a lower level of disclosure on company level compared to Western capital markets. In emerging markets, political risks can be involved as well as liquidity risk.

1.2 LACK OF LIQUIDITY

A part of the Fund Investments may be in financial instruments, which are illiquid or may become illiquid under certain market conditions. Accordingly, it may not always be possible to purchase or sell those financial instruments for the prices quoted on the various exchanges or for their expected value. The Fund's ability to respond to market movements may be impaired and the Fund may experience severe adverse price movements upon liquidation of its investments.

1.3 CONCENTRATION OF INVESTMENTS

The Fund may hold relatively few, large investments in relation to the size of the Fund. The Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected. Lack of liquidity as mentioned in paragraph 1.2 (Lack of Liquidity) of this Annex 2 may aggravate such losses significantly.

In addition, the Fund may own a significant percentage of the shares or (convertible) bonds issued by a company. It may not always be possible to dispose of such shares or (convertible) bonds without incurring significant losses. Potential profits may not always be immediately realisable and may therefore be lost prior to realisation.

1.4 VALUATION OF INVESTMENTS IN NON-LISTED FINANCIAL INSTRUMENTS

Valuations of investments in non-listed financial instruments shall be made with all appropriate care and diligence and in accordance with market standards. However, no guarantee can be given that the value attributed to such interest is entirely accurate. Therefore, the Net Asset Value of the Fund may not accurately describe the amount, which may be realised upon sale of the Fund Investments.

2. GENERAL RISKS

2.1 BUSINESS RISK

The investment performance of the Fund is substantially dependent on the services of key individuals who are responsible for managing the Fund Investments. These key individuals are connected with the Manager. In the event of death, disability, departure, insolvency or withdrawal of any of these key individuals or the Manager, the performance of the Fund may be adversely affected.

No assurance can be given that the Participations of the Fund shall increase in value. An investment in Participations therefore carries a high degree of risk and is only suitable for persons who can bear the risk of losing their entire investment.

2.2 NET ASSET VALUE CONSIDERATIONS

The Net Asset Value per Participation is expected to fluctuate heavily over time with the performance of the Fund Investments. A Participant may not fully recover its initial investment when he chooses to transfer, redeem or liquidate otherwise his Participation if the Net Asset Value per Participation at the time of such redemption is less than the Subscription Amount paid by such Participant or if any un-amortized costs and expenses of establishing the Fund remain.

2.3 CUSTODY RISK

Due to the insolvency, the negligence or fraudulent actions of the Depositary or third parties used for the custody of the Fund Assets, the value of Participations may decline.

2.4 CURRENCY EXPOSURE

The Fund is a USD denominated investment fund, investing in USD, Euro, Congolese Franc and CFA, as well as other currencies. The Fund invests in underlying Small and Medium Sized Enterprises (SME's) in DRC and CAR and therefore has significant local currency exposure as their direct equity investments are generally in local currency. The Fund is not able to hedge its currency exposure for three reasons: 1) cash flows in private equity are unpredictable, 2) local currency hedging instruments are not available in most developing countries including DRC and CAR, 3) currency hedging is not available for long term cash flows. However, CASF will in general hedge currency exposures where currency hedging is available, affordable, and where the benefits justify the costs. Investors should take thus currency risks into account.

2.5 COUNTRY POLITICAL AND ECONOMIC RISK FACTORS

The political, social and economic stability of developing countries varies from time to time and from country to country. Investments in developing countries will be exposed to the consequences of changes in political or economic policies. Some of the developing countries have experienced social and political instability in the past. The possibility of nationalisation, expropriation or confiscatory taxation, abrupt political changes, government regulation, social instability, diplomatic disputes, terrorism, civil conflict or other similar developments beyond the control of the Fund could adversely affect the Fund's investments. More specific risk factors include:

- ad-hoc changes in economic policy adversely affecting specific sectors of the economy;
- disintegration of government institutions;
- nationalization of enterprises;
- corruption and political patronage; and
- physical insecurity.

2.6 FINANCIAL SECTOR RISK

Although financial sector restructuring and strengthening has been high on the agenda of many developing countries, the financial architecture of some of the target developing countries remains weak. Most governments in developing countries in principle remain committed to financial sector reform, but entrenched interests and politically motivated lending remain a problem in developing countries.

2.7 NATURAL DISASTERS

Many developing countries are subject to intermittent adverse weather conditions, including hurricanes and tropical storms, which can affect physical infrastructure, communications and certain sectors such as agriculture and fisheries. Other natural disasters include earthquakes, flooding and severe drought.

2.8 AVAILABILITY OF INFORMATION AND REPORTING STANDARDS

The availability of information at SME companies in developing countries is limited and at times unreliable. Accounting, auditing and financial standards may differ significantly from those applicable to European companies. In particular, assets and profits appearing on the financial statements of a regional company may not reflect the same financial position or results of operations as would be reflected in financial statements prepared in accordance with generally accepted international accounting principles.

2.9 MINORITY SHAREHOLDER RISKS

The Fund is expected to make investments that will represent a minority interest in portfolio companies and to hold minority voting positions on the board of directors of certain portfolio companies, which limit the control the Fund will have over these companies.

2.10 EXECUTION RISK

It is possible that Fund investments may take longer to identify and close than expected by the Manager. It is also possible that the Manager may not find sufficient investment opportunities that meet the Fund's investment criteria, and that the Fund may not be able to fully invest during the investment period of the Fund.

2.11 EXIT RISK

It is anticipated that the Fund will invest in securities for which there is no existing public market and may be prohibited contractually from selling such securities for a period of time. It is also possible that investments may require a substantial length of time to realise. Therefore, there can be no assurance that the Fund will be able to dispose of its investments by sale or otherwise complete an exit strategy.

3. OTHER RISKS

3.1 CONFLICTS OF INTEREST

It is possible that the Manager or the Depositary may, in the course of business, have conflicts of interest with the Fund. In such event each shall always have regard to its obligations to the Fund and endeavour to ensure that such conflicts are resolved fairly.

In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

The Manager or any person connected with the Manager may, directly or indirectly, invest in, manage or advise other investment funds or accounts, which invest in assets which may also be purchased or sold by the Fund. Neither the Manager nor any person connected with it is under any obligation to offer investment opportunities of which any of them become aware to the Fund or to account to the Fund in respect of (or share with the Fund or inform the Fund of) any such transactions or any benefit received by any of them from any such transaction, but shall allocate such opportunities on an equitable basis between the Fund and other clients.

3.2 PROFIT SHARING

In addition to receiving a Management Fee, the Manager (or affiliates of the Manager) shall be entitled to Carried Interest. The Carried Interest may create an incentive for the Manager to take more risks than it would take in the absence of a fee based on the performance of the Fund.

3.3 REGULATORY RISK

The regulatory environment for investment funds is evolving and changes therein may adversely affect the Fund's ability to pursue its investment strategies. In addition, the regulatory and/or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action, which may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

Furthermore, unclear rules and regulations and conflicting advice may result in a breach of rules and regulations applicable to the Fund. Resulting fines and other sanctions and consequent damage to the reputation of the Fund, the Manager and/or any other connected persons may result in a negative impact on the Net Asset Value of the Fund and Participations.

ANNEX 3: IFC PERFORMANCE STANDARDS

Part 1.

The Manager shall require every potential Portfolio Entity in which the Fund invests to undertake that the business of such company shall comply with IFC Performance Standards on Social and Environmental Sustainability. The Manager shall operate a Business Principles and Environmental & Social Management System that shall be carried out in way that potential Portfolio Entities comply with the Performance Standards:

- 1) Performance Standard 1: Social and Environmental Assessment and Management System
- 2) Performance Standard 2: Labor and Working Conditions
- 3) Performance Standard 3: Pollution Prevention and Abatement
- 4) Performance Standard 4: Community Health, Safety and Security
- 5) Performance Standard 5: Land Acquisition and Involuntary Resettlement
- 6) Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management
- 7) Performance Standard 7: Indigenous Peoples
- 8) Performance Standard 8: Cultural Heritage.

Performance Standard 1 establishes the importance of: (i) integrated assessment to identify the social and environmental impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them ; and (iii) the client's management of social and environmental performance throughout the life of the project. Performance Standards 2 through 8 establish requirements to avoid, reduce, mitigate or compensate for impacts on people and the environment, and to improve conditions where appropriate. While all relevant social and environmental risks and potential impacts should be considered as part of the assessment, Performance Standards 2 through 8 describe potential social and environmental impacts that require particular attention in emerging markets. Where social or environmental impacts are anticipated, the client is required to manage them through its Social and Environmental Management System consistent with Performance Standard 1.

In addition to meeting the requirements under the Performance Standards, Portfolio Companies must comply with applicable national laws, including those laws implementing host country obligations under international law.

Part 2. Prohibited Activities

No Portfolio Entity may engage, directly or indirectly, in any of the prohibited activities, listed below; and the Manager shall monitor its Portfolio Entities to ensure compliance with this exclusion list.

- Production or activities involving harmful or exploitative forms of forced labour³ / child labour.⁴
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine)⁵
- Production or trade in tobacco.⁶
- Production, distribution or trade in pornography.
- Gambling, casinos and equivalent enterprises.⁷
- Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in radioactive materials.⁸
- Production or trade in or use of unbonded asbestos fibres.⁹
- Commercial logging operations, or the purchase of logging equipment for use, in primary tropical moist forest.
- Production or trade in products containing PCBs.¹⁰
- Production or trade in pharmaceuticals subject to international phase outs or bans.
- Production or trade in pesticides/ herbicides subject to international phases outs or bans.
- Production or trade in ozone depleting substances subject to international phase outs or bans.¹¹
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

³ Forced labour shall be taken to mean all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

⁴ Child labour shall be taken to mean the employment of children whose age is below the statutory minimum age of employment in the country of the Portfolio Entity and employment of children in contravention of International Labour Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

⁵ This does not apply to subproject sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a subproject sponsor's primary operations. Where there is, or reasonably may be, any doubt as to whether or not a company or a sponsor is "substantially involved" in this activity, the matter shall be referred to the Advisory Committee or investment committee or equivalent body responsible for approving the Fund's investments.

⁶ This does not apply to subproject sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a subproject sponsor's primary operations. Where there is, or reasonably may be, any doubt as to whether or not a company or a sponsor is "substantially involved" in this activity, the matter shall be referred to the Advisory Committee or investment committee or equivalent body responsible for approving the Fund's investments.

⁷ This does not apply to subproject sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a subproject sponsor's primary operations. Where there is, or reasonably may be, any doubt as to whether or not a company or a sponsor is "substantially involved" in this activity, the matter shall be referred to the Advisory Committee or investment committee or equivalent body responsible for approving the Fund's investments

⁸ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.

⁹ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.

¹⁰ PCBs: Polychlorinated biphenyls - a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

¹¹ Ozone Depleting Substances (ODSs): Chemical compounds which reacts with and deplete stratospheric ozone, resulting in the widely publicised "ozone holes". The Montreal Protocol lists ODSs and their target reduction and phase out date.

ANNEX 4: COUNTRY PROFILE DRC

HISTORY

At independence on June 30, 1960, the Democratic Republic of Congo (DRC) underwent significant economic and political upheaval. After five years, in 1965, Mr. Mobutu seized power and ruled the country for thirty-two years. While President Mobutu implemented a massive program of education and created a solid sense of national unity, governance collapsed and corruption was endemic.

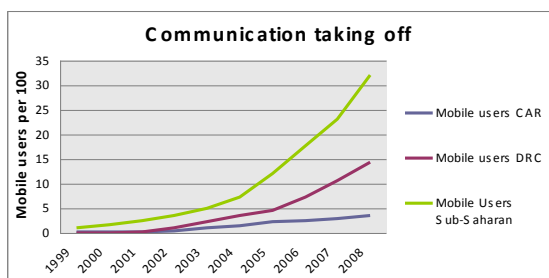
By the 1990s the country's economy was near complete collapse due to economic mismanagement, corruption and political instability. The 1990s were marked by successive episodes of increasing violence: looting by the armed forces in 1991 and again in 1993; a first conflict in 1997 (with the involvement of seven foreign countries and a number of militias); and a second conflict between 1998 and 2003 during which a reported three million people died, and many more were displaced. In July 1999 a cease-fire agreement was signed in Lusaka by the DRC Government, the major rebel groups, and the foreign countries involved. Soon after, a UN peacekeeping force (MONUC) was deployed amidst continuing unrest.

In 2001, President Laurent-Désiré Kabila was assassinated and his son, Joseph Kabila, was quickly inaugurated. Later in 2001, the Inter-Congolese dialogue was initiated to set the stage for a transition to democracy. A transitional constitution was approved in 2003 and a government of national unity was subsequently formed. In 2005, a new constitution was approved by referendum and elections were held in July 2006 (first round of presidential election and parliamentary elections) and October 2006 (second round of presidential elections and local elections). Joseph Kabila was elected as president, and in February 2007 a new government was formed.

The political terrain in 2009 was marked by a resolution of the insecurity in Eastern DRC, as the peace process between Rwanda and DRC was concluded. Political and diplomatic negotiations, as well as recent joint military operations by the Governments of DRC, Rwanda and Uganda mark an important breakthrough in achieving greater peace and stability for the region.

Economy

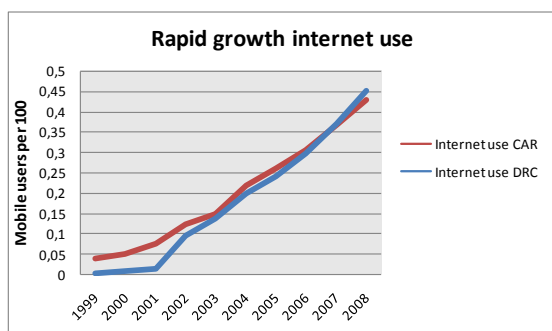
The DRC has the third largest population and the second largest land area in Sub-Saharan Africa. It is rich in natural and human resources, and is endowed with the second largest rain forest in the world, with fertile soils, ample rainfall, and considerable and varied mineral resources. Historically, mining (copper, cobalt, diamonds, gold, zinc, and other base metals) and petroleum extraction accounted for about 75 percent of total export revenues and about 25 percent of the country's GDP. Despite the abundance of raw materials, the country's formal economy has virtually collapsed in the last few decades due to mismanagement and conflict. The GDP per capita is one of the lowest in the world. In the 1980s it was only a third of that in 1962, and it declined even further in the 1990s. It dropped from USD380 (in constant dollars) in 1960 to USD224 in 1990 and to USD139 in 2006.



The impact of the conflict was tremendous. Infrastructure suffered from a lack of maintenance and physical destruction with many institutions in shambles. Millions of people lost their assets (buildings, livestock, tools), and many enterprises lost assets, staff, and commercial networks. Overall, the economy was transformed, and is now centered on subsistence agriculture and informal activities, with a collapse of export and value-adding activities.

Since 2001, however, with support from the Bretton Woods Institutions, the government has launched the implementation of economic, financial and structural reforms aimed at stabilizing the macroeconomic situation and the creation of a climate conducive to private sector-led development. It managed to break the hyperinflation cycle and to stabilize the exchange rate. From a rate of 511% in 2000, the inflation declined to 135% in 2001, and fell further to 18% in 2006. Inflation picked up in 2008, largely because of a rapid rise in (food) prices during the final quarter of the year. Inflationary pressures are expected to persist in 2009 despite falling US-dollar prices for key

imported commodities, due to the currency's depreciation. CPI was running at around 50% (year-on-year) at end March 2009 mainly due to rises in food prices, which constitutes 78% of inflation. Interest rates in the DRC have been raised three times since December 2008, from 28 percent to 65 percent and the Central Bank temporarily increased the reserve requirements from 5 to 7 percent in January 2009.



Reforms included the adoption of new investment, labour, mining, and forestry codes which are key to attracting foreign investors and restoring transparency in traditionally opaque sectors. In addition, DRC reached the HIPC Decision Point in 2003 (with a total relief estimated at USD 6.3 billion for a total stock of outstanding external debt estimated at USD 7.9 billion in NPV terms). As a result of the reforms, economic growth returned in 2003 after a decade of contraction. Growth stood at approximately 6 percent a year, driven mainly by a post-conflict rebound of basic activities (a pattern typical of post-conflict countries), notably in the trade, transport, construction, agriculture and selected

manufacturing and services. In the coming years, the real GDP growth is projected to rise substantially with a recovery in mining and manufacturing. Private sector investment has been relatively high (about USD 2.7 billion in new investments since 2003, i.e., a significant share of private capital flows to Sub-Saharan Africa). Discussions have finalized with the IMF in the summer of 2009 on the issues hindering the agreement of a new PRGF (poverty reduction and growth facility) arrangement that have led to the HIPC completion point, providing substantial debt relief for DRC.

The global economic downturn has had a profound effect on economic activity in the mining sector, following sharp declines in prices of DRC's mineral exports including copper, cobalt and diamonds. The Congolese franc has rapidly depreciated. The currency plunged by 21 percent in 2008, and further weakness ensued in a 28 percent depreciation during the first quarter of 2009. The Congolese franc was trading at around CDF/USD 850 at the end of August 2009. Overall, the economy remained resilient for 2009 despite the slowdown, maintaining growth at the historical average. Nonetheless, growth forecasts for 2009 have been lowered to 2.7 percent to reflect the dramatic collapse in mineral production.

International donors have granted new emergency funds to help the country cope with the crisis. The World Bank Board approved in February 2009 an emergency operation of USD 100 million with following components: imports of critical goods and commodities, primary and secondary school teachers' salaries and recurrent costs for basic utilities, namely water and electricity. In addition, the IMF provided as well USD 195.5 million in March 2009 under its exogenous shocks facility. Furthermore, a USD 100 million emergency support operation is under preparation by the African Development Bank, and a USD 65 million grant is expected from the European Commission.

Overall, the situation remains fragile. Going forward, the DRC's main challenges include consolidating the recently achieved macroeconomic stability and deepening far-reaching structural reforms, consistent with the government's Poverty Reduction Strategy Paper, continuing to improve governance and the business climate, and ensuring peace and security in the entire the country.

ANNEX 5: COUNTRY PROFILE CAR

For much of the period since independence in 1960, the Central African Republic (CAR) has been politically unstable with bouts of armed conflict. In 1993, after three years of social and political unrest, a coalition government was formed under newly elected President Ange-Félix Patassé. Although the government pledged itself to democratic reform, more violent social and political unrest followed in 1996 and 1997. After surviving a coup attempt in May 2001, President Patassé was overthrown in March 2003 by General François Bozizé.

Security, while broadly under control in Bangui and many parts of the country, remains fragile. Since the holding of free elections in 2005, the government is still struggling to restore the most basic functions, and social needs remain immense.

Politics

The conclusion of presidential and legislative elections in May 2005 marked the end of a two-year transition period in CAR. During the transition period, slightly longer than the original two-year agreement, a new Constitution was ratified (passed by referendum December 5, 2004), and two rounds of presidential and legislative elections were held. Most observers judged the election process to be satisfactory.

An *"Inclusive Political Dialogue"* that brought together the government and leaders of multiple rebellions in December 2008 has opened a window for peace in CAR. President Bozizé agreed with the rebel and opposition leaders to form a consensus government that would rule until scheduled presidential elections in 2010. The pact, struck after 10 days of United Nations-backed political talks in Bangui, also recommended the creation of a mixed electoral commission and the start of demobilization, disarmament and reintegration process for the rebels. A new electoral Code was adopted by the Parliament in preparation of the 2010 presidential elections; the establishment of a new independent electoral commission is expected.

Economy

Beyond the political turmoil, economic development has also been hampered by the country's landlocked position, a poor transport and communication systems, a largely unskilled workforce, and a legacy of misdirected economic policies. The government has also had poor revenue collection and budget outcomes compared to sub-Saharan Africa standards is behind in military and civilian payrolls. The country thus remains poor despite the economic potential of CAR's natural resources (diamonds, gold, uranium, and timber) and favourable farming conditions. CAR continues to emerge from a fragile economic environment and macroeconomic performance and policy implementation have strengthened.

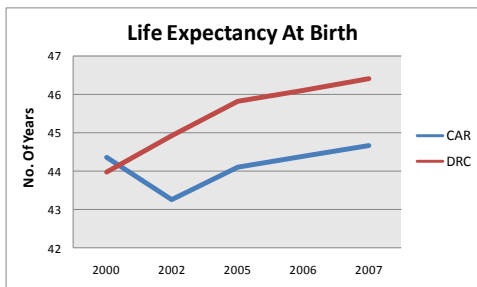
In 2007, growth reached 4.2%, the highest in a decade, due in part to improvement in the fiscal position resulting from better fiscal management. In 2008 growth slowed down to 2.8%. The Ministry of Finance and Budget forecasted a growth rate of 2.4% in 2009 against pre-crisis projections of 5%. GNI per capita has been increasing since its low point of USD 240 in 2002 to USD 410 in 2008. Overall GDP has almost doubled since 1999 from USD 1 billion to USD 1.9 billion by the end of 2008.

The global financial crisis has affected the CAR economy. Tax revenue losses as a result of crisis are estimated at USD16 million (US\$14 million in trade resulting from crisis in forestry & diamond sectors, and US\$2 million in other taxes, including company taxes in forestry sector). Tax revenues are projected at 8.4% of gross domestic product in 2009 against a pre-crisis projection of 9.2%. Export volume declined by 18.2% in 2008 and are projected to decrease further in 2009 (-21%) against a pre-crisis projected increase of 6.9% in 2009.

Donors have provided assistance to CAR for the strengthening of numerous activities in public financial management and governance. The International Monetary Fund (IMF)-backed Poverty Reduction and Growth Facility (PRGF) was approved in December 2006, and the Heavily Indebted Poor Countries (HIPC) Decision Point was attained in September 2007. CAR graduated from the HIPC initiative on June 30, 2009.

Development progress

Political instability has contributed to poor socioeconomic outcomes. CAR ranked 171st out of 177 countries in the



United Nations Development Program’s 2007/08 Human Development Index. Poverty is widespread, with an estimated 67% of the population living under the poverty line, and the incidence of poverty in rural areas is higher, at close to 72% of the population. Access to even basic education and health services is minimal, and outcomes are worsening as these sectors have been significantly under-funded for several decades. Life expectancy at birth is estimated at 44.6 years, and adult literacy rate for persons 15 years and above is 65%. The incidence of HIV/AIDS, estimated at 6.2% has continued to climb because of a lack of health services and prevention programs, and is now at a crisis level.

Sources:
 Worldbank Spring 2009 Economic Report DRC.
 Worldbank Fall 2008 Economic report.
 Worldbank database 2009
 Worldbank Central Africa country profile 2008.

ANNEX 6: XSML INVESTMENT POLICY

Introduction

Central Africa SME Fund (CASF) is an SME fund providing risk capital to small businesses in Democratic Republic of Congo (DRC) and Central African Republic (CAR). CASF invests directly in SMEs through equity and quasi equity investments. The objective of CASF is to provide appropriate risk adjusted returns by investing in local SMEs. Investments in SMEs are in either local currency (Congolese franc or CFA in CAR), or in USD, or in EUR. In general, investments are made through quasi-equity structures, either in a hard currency or local currency with a revenue sharing or royalty mechanism. CASF will mitigate risk by applying appropriate diversification across regions within DRC and CAR and across multiple sectors. Where available and opportune, hedging strategies will be applied to further mitigate risks.

This Investment Policy Paper covers the following areas:

1. Diversification policy;
2. Hedging policy;
3. Leverage policy;
4. Portfolio management policy;
5. Criteria for selecting SMEs;
6. ESG and conflicts of interest.

1 Diversification Policy

The Fund aims to have 80 per cent of the Fund's investments made in DRC and 20% in CAR. The diversification strategy and investment policies of CASF are geared towards diversification over multiple sectors and over at least 2 countries in Central Africa. This strategy reduces country risk, FX exchange risk and limits individual investee risk concentrations. Investments in SMEs will typically range between USD 100,000 and USD 500,000 with an absolute maximum of USD 500,000. Follow-on investments in SMEs are allowed with an absolute maximum of USD 500,000. The total investment in a single investee will not represent more than 5% of the value of total commitments. CASF will not invest more than 30% in one single sector. In the investment proposal which will be presented to the Investment Committee, each new investment is checked against aforementioned limits and deviation from the limits set in the Investment Policy will require advisory committee approval.

CASF's investments are relatively illiquid. CASF aims to make quasi-equity investments or mezzanine investments in the form of preferred shares, subordinated debt with warrants, convertible debt, senior debt with high coupon, and/or senior debt with revenue/profit sharing or royalty mechanisms. Investments in SMEs have a maximum maturity of up to 8 years, but have in general a shorter maturity of up to 5 years. Investments have an exit either embedded or negotiated upon entry. Investments will be, in principle, unsecured; however, guarantees or other securities will be established if feasible.

2 Hedging Policy

The Fund's base currency is USD. Investments in SMEs are generally un-hedged. Where hedging is available (at commercial rates) and where hedging reduces risk, hedging will be used. In case of quasi equity investments these investments can be made in either hard currency (USD) or in local currency or as a combination of hard currency and local currency. An example is a USD subordinated loan with royalty or revenue sharing mechanism, where the local currency risk is only on the royalty mechanism. As cash-flows are in general unpredictable, the majority of CASF investments cannot be hedged. In case hedging is possible, the hedging instrument will be part of the investment proposal and the Investment Committee will decide on the investment including its hedging structure. CASF will not hedge the USD/EUR exchange rate. Investors will have to note that changes in USD/EUR exchange rate might influence their return and will have to take appropriate hedging measures themselves.

3 Leverage Policy

The Fund may only incur bridge financing with a maturity not exceeding 6 months and only in order to finance investments pending draw down of commitments and to cover expenses of the fund. Any debt will only be taken on a non-recourse basis to the investors. Recourse can only be taken to the assets of the fund.

4 Portfolio Management Policy

CASF's exposure to any single investee will be less than five percent (5%) of CASF's total committed capital, unless otherwise approved by the advisory committee. CASF will not allocate more than 30% to one single sector. CASF will not own more than 20% in a group of portfolio companies or related entities. CASF shall limit its exposure to in any single country to no more than 90% of total portfolio. Close monitoring of the macroeconomic conditions of each country, in which CASF invests, will take place on a regular basis but at least annually. In the investment proposal which is presented to the Investment Committee, each new investment is checked against aforementioned limits and deviation from the limits set in the Investment Policy will require advisory committee approval.

5 Criteria for selecting SMEs Investments

The selection criteria for the SME investments are:

- **STRATEGY OF COMPANY AND MARKET ATTRACTIVENESS**
CASF will perform sector analysis on a domestic and regional basis, company operations and value, market positioning, profitability, competition, and growth prospects.
- **EXIT OPTIONS**
CASF analyses possibilities of trade sales, MBO, M&A trends, foreign direct investors and IPOs.
- **CASH FLOW ANALYSIS**
CASF analyses historical and projected cash flows and verifies all key assumptions, including a sensitivity analysis.
- **CAPITAL STRUCTURE**
The capital structure should be tailored to the investment's risk/return profile.
- **VALUATION**
CASF analyses entry and exit valuations, benchmarks versus listed companies and recent market transactions;
- **ENVIRONMENTAL, SOCIAL AND HEALTH**
CASF ensures that SMEs are compliant with IFC environmental and social guidelines.
- **LEGAL AND TAX**
CASF's assessment includes verifying any liabilities from a legal and/or tax standpoint.
- **KYC**
CASF will perform a full Know-Your-Customer check including background check on sponsors and related parties.

6 Ethics and Conflict of Interest

CASF employees involved in the investment process shall refrain from personal business activities that could create an appearance of impropriety, or could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose to the Corporate Manager of XSML any financial interests in investments or related companies that conduct or will conduct business with CASF. Employees and investment officers shall further disclose any large personal financial/investment positions that could be related to the performance of the portfolio.

Should you have any further questions, please contact us directly at:

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