

ABSTRACT
**FIPAC INVESTMENT GROWTH FUND FOR BRAZILIAN TECHNOLOGY-
BASED SMES**

The executing agency is the Fund, FIPAC, which will be established as a local vehicle (*Fundo Mutuo de Investimento em Empresas Emergentes FMIEE*) according to the Instruction CVM 209. The fund will be managed by *Decisão Gestão de Fundos Ltda.* (DGF), an independent asset management firm exclusively dedicated to VC/PE funds established in 2001.

The *general objective* of the project is to further the development of the venture capital industry in Brazil, providing examples of how the financing of the small companies through VC produces an impact on the growth and organization of these companies. The *purpose* of the project consists of the creation of a VC Fund which will provide equity and quasi-equity financing, financial and technical advisory, and value-added governance to 10-15 SMEs with potential to consolidate and exit via strategic sales or the *Bovespa Mais*, a new initiative launched by the Sao Paulo Stock Exchange market at the beginning of 2006.

The MIF will provide USD 5 mm for the fund's capitalization, along with other co-investors, and USD 100,000 in technical assistance. The technical assistance grant will be used to perform up to three evaluations during the life of this fund, develop some best practices cases among the investees that could be featured in VC events, and train junior staff in matters related to VC international practices. The evaluations will center around the logframe and the development outcome matrix and will consider the financial performance of the fund, the types of deals in the pipeline, the overall operational functioning of the fund manager, as well as the social and environmental impact of the fund's investments.

The R\$ 60 to 80 mm (USD 26.6 to 35.5 mm) fund will provide equity and convertible debt financing, financial and technical advisory, and value-added governance to approximately 10-15 companies that will be consolidated in order to have better opportunities to exit. It is expected that most of the capital will be invested in companies that, although still in the SME segment in Brazil, have a proven concept and management, as well as positive cash flow. The investments will be made keeping in mind a potential consolidation strategy among investees in the portfolio. The fund portfolio will have up to 70% invested in the technology and pharmaceutical sectors, with a 30% dedicated to other sectors, to improve diversification.