



COMPREHENSIVE INFORMATIONAL MEMORANDUM

An Innovative Program to Mobilize Private Capital for Overseas Microfinance Institutions that Provide Micro-Business Loans to Poor Entrepreneurs in the Developing World

prepared for

**Philanthropic Guarantors, Prospective Philanthropic
Guarantors and Individuals or Institutions Working to
Reduce Poverty in the Developing World**

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Subject to Change Without Notice**

Note: The purpose of this Informational Memorandum is to explain MicroCredit Enterprises' innovative approach to reducing poverty. We want you to know how the program works and our thinking and motivation in designing its elements.

You should carefully and thoroughly read this Informational Memorandum, the Philanthropic Guarantee Agreement and the contents of the MicroCredit Enterprises website. These documents and informational resources reflect the current MicroCredit Enterprises model for poverty reduction, but we are making modifications and improvements all the time in an effort to more successfully realize and effectuate the mission statement of MicroCredit Enterprises.

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1.0 Important Notes and Disclaimers

You should be aware of the following important notes and disclaimers:

1. Information provided herein is not intended to be tax or legal advice. Please consult a qualified tax or legal advisor.
2. The MicroCredit Enterprises website (www.MCEnterprises.org) contains background information about microfinance and MicroCredit Enterprises that you will want to know. Among other important documents, the MicroCredit Enterprises LLC Operating Agreement and the MicroCredit Enterprises Philanthropic Guarantee Agreement are available at the website.
3. The projections and social results herein are based on estimates and assumptions that are subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of MicroCredit Enterprises.
4. MicroCredit Enterprises believes the unmet global need for microfinance is enormous and requires cooperation among allies. MicroCredit Enterprises encourages you to research other options for supporting and participating in the microfinance approach to poverty eradication, ranging from traditional socially responsible investments (SRIs) to charitable donations (for example, the MicroCredit Enterprise Fund, Inc). Some, but necessarily not all, options are posted at the MicroCredit Enterprises website (www.MCEnterprises.org).

2.0 MicroCredit Enterprises: What We Do and Why

2.1 Our Model Briefly Described

To provide microcredit business loans to poor entrepreneurs in developing countries, MicroCredit Enterprises leverages private capital for overseas microfinance programs so they can serve more poor families. To the best of our knowledge, the MicroCredit Enterprises approach to increasing the amount of private capital available for microfinance programs is a pioneering innovation and unique model.

Reducing poverty requires a host of programs, such as healthcare, schools, sanitation, roads, clean water, public safety and both micro- and macro-economic development programs. Our special focus is supporting sustainable economic development for families living in extreme poverty, but we recognize and respect the importance and necessity of these other poverty alleviation programs.

Microfinance programs are a proven international poverty reduction strategy. Yet fewer than one in five of the world's poorest households have access to financial services – a critical requirement for creating and growing cottage enterprises so poor people can feed and clothe themselves and their children.

Microfinance programs in developing countries make loans to poor people, mostly women struggling against extreme poverty. They have no credit history, no collateral, no traditional legal loan guarantees to offer and no formal education. But with microcredit loans, these women create and build home-based businesses (e.g., making soap, animal husbandry, weaving, etc.). Poor women entrepreneurs have a loan repayment rate of 99%+ in well-managed microfinance programs (Source: Freedom from Hunger Credit with Education Status Report available at www.ffhtechnical.org).

A microfinance institution (MFI) is the pivotal overseas organization in each country that makes individual microcredit loans directly to villagers, micro-entrepreneurs, impoverished women and poor families. An MFI is like a local small bank with the same challenges and capital needs confronting any expanding small venture but with the added responsibility of serving economically-marginalized populations. Many MFIs are creditworthy and well-run with proven records of success; some are operationally self-sufficient.

To overcome the capital shortage faced by many MFIs and to expand the number of impoverished families offered the chance to borrow money to start their own small businesses, MicroCredit Enterprises makes loans to MFIs which, in turn, provide microcredit loans to poor entrepreneurs. Our long-term economic development goal is to provide reliable financial capital to help MFIs in developing countries so they can achieve self-sufficiency. Our short-term goal is give more of the working poor the business opportunities they need in order to feed their children.

MFIs are frequently non-profit organizations without collateral. An MFI's primary and often only asset is its microcredit loan portfolio for impoverished, illiterate women entrepreneurs without any business experience. Notwithstanding the impressive loan repayment rate achieved by these poor women borrowers, most mainstream banking institutions have historically not embraced or pursued this market opportunity. MicroCredit Enterprises and the microfinance industry proudly "banks" on the intangibles of character, determination, grit and common sense – all values embodied and embraced by poor entrepreneurs.

For a fuller explanation of the microfinance marketplace, the essential and urgent need for more private capital and data about microfinance trends, see the MicroCredit Enterprises website.

3.0 Microfinance Institutions (MFIs): Our Overseas Partners

3.1 Lending Policies

MicroCredit Enterprises makes loans to creditworthy, locally-run and locally-controlled independent MFIs in other countries. Our core lending policies are:

1. Because local people can best decide priorities and meet local challenges for themselves, MicroCredit Enterprises extends loans only to MFIs with reliable management and accountable boards of directors who respond to local community needs.
2. Because MicroCredit Enterprises does not have the infrastructure to operate on a long distance basis in villages and townships around the world and because it is costly and impractical to do so, we make loans directly to MFIs in consultation with well-established microfinance networks that can provide us expert opinion on the best-run MFIs.
3. We only make loans to financially sustainable MFIs or in some cases to MFIs that are successfully executing business plans leading to operational self-sufficiency.
4. Microcredit Enterprises seeks to employ three levels of loan portfolio diversification in order to mitigate risk. One, loans to MFIs are diversified across countries and geographic regions. Two, loans are made across a wide range of MFI legal structures, including, but not limited to, credit unions, non-profits, cooperatives, microfinance funds and more. Three, each MFI's underlying loan portfolio is diversified among thousands of individual microcredit loans.
5. Microcredit Enterprises avoids "over-capitalizing" MFIs that do not have the capacity or experience to rapidly grow or service a large microcredit loan portfolio. Sustainability and viability is achieved faster and more reliably by lending cautiously and carefully.
6. MicroCredit Enterprises does not make overseas charitable donations, operate humanitarian relief programs or engage in advocacy or political work. MicroCredit Enterprises does not make loans to governments or government-operated programs.

3.2 MFI Due Diligence Process

The MicroCredit Enterprises loan application procedure is simple and straightforward:

1. An MFI loan application must first meet all the eligibility criteria enumerated above.
2. Then, the MicroCredit Enterprises Loan Committee and senior management review the submission on a timely basis.
3. Next, specific additional information, if needed, is requested, scrutinized and loan terms negotiated.
4. Finally, the full MicroCredit Enterprises board of directors (a majority of whom are Guarantors) accepts or rejects the loan proposal.

There are two basic components of the due diligence process:

1. A potential MFI loan is assessed utilizing a number of well-recognized standards including, but not limited to: existing and/or prospective financial sustainability; size of capital base and/or loan portfolio; leverage ratios (debt to equity, including loan portfolio); number of borrowers, including expansion plans to reach more clients; prior loan repayment history; transparency of financial accounting; portfolio at risk; longevity of successful operations, and other metrics of financial health.

A thorough study and review of an MFI's financial health is indispensable (often called a "desk review" because it involves analyzing fiscal reports, business plans, etc.). That said, rating an MFI is still an embryonic methodology with varied standards throughout the microfinance industry and often dependent on self-reporting by MFIs. So, the second part of the due diligence process is even more critical.

2. MicroCredit Enterprises collaborates with existing and respected U.S.-based microfinance networks to (a) identify creditworthy MFIs, (b) conduct regular and frequent on-site evaluations, (c) provide an early warning system to detect emerging issues or trends before they become serious problems and (d) provide immediate problem-solving with in-country technical assistance when financial snags appear. A microfinance network is a non-profit organization whose purpose and mission is to assist MFIs succeed and prosper.

Without expending unnecessary funds or duplicating the work of others, our due diligence process gives MicroCredit Enterprises the inside opinion on each MFI's managerial talent and financial stability. The implicit "moral hazard" involved from working with microfinance networks is offset by the requirement a microfinance network fund a Loan Performance Contingency Account in the amount of five percent (5%) of the total MFI loan. This Account is a rainy day fund to respond to unexpected emergencies, administrative delays in loan payments and possibly even an MFI loan

default. Further, the microfinance network's organizational reputation is also at risk for its recommendations.

This part of the MicroCredit Enterprises due diligence system is novel and untested, but we base it on the same principle used to make micro-loans to poor entrepreneurs, namely, "character collateral." In other words, this innovative, cost-effective due diligence regimen depends on verbal interactions among professional colleagues around the world, subjective confidence in others' judgment and, ultimately, trust. It is how we do business in the microfinance field.

3.3 MFI Criteria

As the first screen, MicroCredit Enterprises sets unambiguous minimum standards for MFI creditworthiness. The MCE Loan Committee carefully reviews the fiscal health of each MFI without redlining or bureaucratic red tape. An eligible MFI meets all of these criteria:

1. Has at least five years of documented history of operations as an MFI.
2. Currently serves at least 5,000 borrowers.
3. Can provide independent audit reports covering a minimum of three full years.
4. Can submit a three-year business plan with analysis and projections demonstrating either operational self-sufficiency or plan to achieve operational self-sufficiency.
5. Can demonstrate the capacity to utilize a MicroCredit Enterprises loan to expand the number of borrowers served by the MFI.
6. Currently maintains an active alliance or relationship with a recognized microfinance network with the resources to support and assist the MFI.
7. Can present a letter of intent from a recognized microfinance network committing to fund a Loan Performance Contingency Account in the amount of five percent (5%) of the total MFI loan.
8. Has posted a financial and operational profile at the Microfinance Information Exchange (www.themix.org), the microfinance industry's clearinghouse for standardized information about the financial strength and performance of MFIs.
9. Can verify that the requested loan will not exceed thirty-five percent (35%) of the MFI's total outstanding loan portfolio.

For each eligible applicant, MicroCredit Enterprises then assesses four key factors to evaluate the creditworthiness of the MFIs:

1. First and most vitally, the quality and integrity of the management and board of directors.
2. Second, the proven performance of the MFI's loan portfolio.
3. Third, reliability and diversification of the MFI's total revenues, including its operational self-sufficiency.
4. Fourth, the stability of the political and legal environment of the country.

3.4 MFI Loan Terms

MicroCredit Enterprises loans are comprehensive commitments to the in-country MFI's microcredit lending program, including its operational self-sufficiency. Special consideration is given to MFIs that are willing and, importantly, able to use the loan to increase the number of poor clients served. If MicroCredit Enterprises has doubts a loan will not ultimately benefit more poor entrepreneurs and their families, we don't make the loan.

MicroCredit Enterprise loans to an MFI is typically for three years. Interest rates are negotiated on a case-by-case basis. Often payments are not required until the MFI has had time to issue loans to poor entrepreneurs and generate cash flow.

Loans typically contain provisions which permit MicroCredit Enterprises to adjust the MFI's interest rate if market conditions change dramatically. Also, in a financial emergency MicroCredit Enterprises has the right to terminate a loan and require immediate repayment. These provisions, while conservative, are necessary to guard against unexpected market downturns or unforeseen adverse events.

3.5 MFI Loan Applications; How To Apply

MFI loan applications and procedures are posted at the MicroCredit Enterprises website. Interested MFIs also receive updates on loan application periods and procedures by subscribing to MicroCredit Enterprises E-News. Subscriptions are free-of-charge.

4.0 Innovative Financial Model for Serving the Poor; Our Guarantors

4.1 Guarantors: Financial Backbone of MicroCredit Enterprises

MicroCredit Enterprises' principal financial benefactors are Guarantors. To achieve a social purpose for some of the poorest families in the world, a Guarantor provides a full recourse guarantee and collateralizes a financial line of credit provided by a financial institution to MicroCredit Enterprises. Microcredit Enterprises then borrows money from the Guarantor-collateralized lines of credit in order to make loans to MFIs which, in turn, provide microcredit loans to poor entrepreneurs.

Each Guarantor provides a full recourse guarantee which is secured by a pledge of collateral to secure MicroCredit Enterprises' line of credit. Collateral assets are pledged in one million dollar units. Each \$1 million pledged by a Guarantor approximates up to 5,000 new microcredit business loans — the equivalent of 5,000 self-sustaining small enterprises, feeding as many as 25,000 people in the developing world.

In the event of any loss caused by an MFI loan default, the loss is distributed among the Guarantors on a pro rata, or equal, basis. For example, if the MicroCredit Enterprises board of directors determines it is impossible to recover all or part of an MFI loan and at that moment ten MicroCredit Enterprises Guarantors existed, ten percent (10%) of the total loss would be allocated to each extant Guarantor.

Committing assets as collateral is not, and is not to be construed as, an investment of any kind, including a securities offering, an ownership proposal, a socially responsible investment fund (sometimes called an "SRI investment") or any other offer to sell an investment opportunity of any kind. None of a Guarantor's money or assets is available for direct use by MicroCredit Enterprises and, thus, MicroCredit Enterprises does not pay Guarantors dividends, interest, compensation or other fees.

A Guarantor maintains control over his or her assets. MicroCredit Enterprises makes no investment decisions with respect to a Guarantor's assets, so the Guarantor remains responsible for all investment risk for funds committed as collateral to MicroCredit Enterprises. Any appreciation or loss in the portion of a Guarantor's investment portfolio that is serving as collateral is not the result of any investment decision rendered by MicroCredit Enterprises.

4.2 MFI Loan Default Risk for Guarantors

While a Guarantor is responsible for the investment returns in his or her individual collateral account, the assets are clearly subject to the additional risk of serving as collateral, as with any secured debt. A Guarantor may lose money because of an overseas MFI loan default, but accepts this financial risk in exchange for achieving a worthy and noble social objective.

Poor women entrepreneurs have a documented and impressive loan repayment rate of 99% in well-managed MFIs. These extraordinary repayment rates are achieved because groups of poor borrowers co-sign on each other's loans and,

thus, in times of need help each other succeed.

However, the repayment of MFI loans depends on multiple factors, including (a) the performance of microcredit loans issued to poor people, (b) the managerial competence of the MFI borrower and (c) local market factors, such as environmental disasters, political unrest and other adversities that can occur in emerging markets and developing countries. Economic risks include, but are not limited to, a decline in general economic conditions, high inflation and unanticipated currency devaluations. Although foreign currency risk is the responsibility of the borrowing MFI and loans to MFIs are issued and repaid in U. S. dollars, foreign currency devaluation is a significant risk factor. In the event an MFI is unable to repay its loan, typically the MFI will not have collateral to cover the default and MicroCredit Enterprises might not want to “foreclose” on an otherwise excellent MFI beset with only temporary financial difficulties.

Microcredit Enterprises also seeks to arrange for a loan loss reserve fund equivalent to approximately five percent (5%) of the total amount of outstanding loans to MFIs. Although this loan loss reserve covers “first dollar losses” arising from any potential MFI default and five percent (5%) is average for the microfinance industry generally, the coverage is limited.

An MFI loan loss is declared when MicroCredit Enterprises determines that an MFI is unable to repay all or part of an outstanding loan. Typically, this determination occurs after every reasonable effort is made to assist the MFI to cure a loan default. MicroCredit Enterprises under no circumstances allows a cure or repayment period to extend beyond one hundred eighty (180) calendar days from the initial due date repayment of the MFI loan and to the extent any MFI Loan is not repaid within one hundred eighty (180) calendar day period from the initial due date MCE shall allocate losses among its Guarantors. A Guarantor agrees to fund his or her pro rata loss amount within ten (10) calendar days after written notice from MicroCredit Enterprises. In the event that subsequently some or all of an MFI loan default is recovered by MicroCredit Enterprises, repayment to each of the Guarantors who bore such loss is repaid on a *pro rata* basis based on the losses incurred by those Guarantors.

4.3 Fluctuating Risk Exposure Among Guarantors

The lines of credit for MicroCredit Enterprises are secured separately by all Guarantors, but when and if an MFI defaults on a loan, the default loss is allocated equally among the total number of Guarantors. Thus, the more Guarantors in the program, the less risk exposure for each Guarantor. Conversely, the fewer Guarantors, the greater risk exposure for each Guarantor.

In the event one or more Guarantors withdraws from the MicroCredit Enterprises program, for a period of time the relative risk for each remaining Guarantor increases. If a temporary reduction in the number of Guarantors (and, thus,

collateral assets) becomes a long-term deficiency, MicroCredit Enterprises discontinues making new loans to MFIs. If necessary, MicroCredit Enterprises is in a position to require full payment of outstanding loans, but MicroCredit Enterprises cannot ensure that MFIs will remit payment in a timely manner. No minimum number of Guarantors must be obtained or maintained in order for this program to commence or operate and there is no assurance additional Guarantors will join the program.

4.4 Financial Institution Role

A line of credit to MicroCredit Enterprises is issued by a financial institution, jointly selected and approved by the Guarantor and MicroCredit Enterprises. Microcredit Enterprises makes no recommendation or endorsement concerning any particular financial institution, except to refer prospective Guarantors to financial institutions that have pre-approved favorable terms and conditions for lines of credit to MicroCredit Enterprises.

The Guarantor and the financial institution work together to maintain a portfolio value for the Guarantor which will permit the financial institution in its sole discretion to extend a line of credit valued at sixty percent (60%) or more of the collateral assets. A decline in collateral value may occur one of two ways: One, a Guarantor's investment decisions may cause a collateral market value drop. Two, in the event of a MFI loan loss, MicroCredit Enterprises allocates the loss among all Guarantor accounts on a pro rata, fair share basis. In either case, a Guarantor is responsible for restoring or replenishing the collateral value to at least \$1 million in a timely manner.

To offer the lowest possible interest rates to MFI borrowers, MicroCredit Enterprises does not necessarily utilize all its Guarantor-secured lines of credit on an equal basis. MicroCredit Enterprises at its discretion uses lines of credit with the most favorable interest rates, terms and conditions (while still allocating any losses on a pro rata, equal basis among all Guarantors). This policy gives overseas MFIs the best interest rates and still mitigates each Guarantor's risk exposure on a fair basis.

MicroCredit Enterprises is not affiliated with any particular financial institution. Each Guarantor may be required to execute documents with the Guarantor's financial institution, but MicroCredit Enterprises is not responsible for these documents and has not reviewed them.

4.5 Guarantor Responsibilities and Obligations

A Guarantor and MicroCredit Enterprises sign and execute a Philanthropic Guarantee Agreement. The Agreement commits both the Guarantor and MicroCredit Enterprises to the following responsibilities and obligations:

1. The Guarantor agrees to pledge assets valued at a minimum of \$1 million dollars as collateral for a line of credit issued by a financial institution to MicroCredit Enterprises. MicroCredit Enterprises commits the maximum amount it will borrow will not exceed sixty percent (60%), or six hundred thousand dollars (\$600,000.00), of the Guarantor's collateral, provided the Guarantor's collateral value is maintained at or above \$1 million. The rationale for this policy is to provide the selected financial institution with a prudent loan-to-value ratio and, thus, more confidence in lending to MicroCredit Enterprises on favorable terms and conditions.
2. In addition to pledging collateral assets, the Guarantor agrees to personally guarantee repayment of the funds borrowed or secured by his or her collateral assets. A Guarantor does not guarantee any other Guarantor's line of credit extended to MicroCredit Enterprises. A personal guarantee means the Guarantor's financial institution can sue the Guarantor to recover losses plus the costs of collecting legal obligations herein. The rationale for this provision is to assure each Guarantor that all other Guarantors will stand behind their financial obligations to cover their fair share of any losses, and at the same time cap each Guarantor's risk exposure.
3. The Guarantor agrees to provide MicroCredit Enterprises with 18 months advance written notice before terminating participation in the program. After 12 months notice, the Guarantor may withdraw up to fifty percent (50%) of the pledged collateral assets; the remaining fifty percent (50%) may be withdrawn 18 months after written notice is given. This provision assures each Guarantor the opportunity to calculate the expected ingress and egress of other Guarantors and enables MicroCredit Enterprises to manage on a sustainable basis the MFI loan portfolio for the benefit for poor families.
4. For the period during which a Guarantor participates in the MicroCredit Enterprises program, a Guarantor is financially responsible for his or her fair share of any MFI default losses which might occur during that time period even if they later leave the program. The point of this provision is to assure all Guarantors are treated equally and to ensure a Guarantor cannot shift his or her liability to other Guarantors by exiting the program.
5. Guarantor agrees to maintain the value of the collateral assets at a minimum of \$1 million or above. Guarantor agrees to only invest his or her collateral assets in permitted investments which typically are limited to cash, mutual funds, stocks, investment grade bonds, money market funds, publicly-traded shares of real estate investment trusts (REITs) and which typically do not include margin stock, options, warrants, derivative securities, over-the-counter securities, non-publicly-traded equity securities and non-investment grade debt. If the value of the collateral assets at a Guarantor's financial institution declines below \$1 million (because of poor investment choices by a Guarantor or a collateral call by MicroCredit Enterprises), a Guarantor

agrees to restore the value of the collateral to at least \$1 million. The Guarantor agrees to keep the collateral unencumbered by unpaid charges, taxes and liens. The rationale, once again, is protect all Guarantors by assuring each Guarantor remains on a equal footing with other Guarantors.

6. Guarantor agrees to be the sole financial decision-maker for his or her pledged collateral assets which may be maintained in mutual funds, stocks, bonds, money market accounts or other investment instruments. The Guarantor makes all the relevant investment decisions for his or her own account; however, Guarantor also agrees to consult with the financial institution selected jointly by the Guarantor and MicroCredit Enterprises in order to allocate the Guarantor's collateral assets in a manner sufficient to secure a line of credit equal to at least sixty percent (60%) of the collateral value. MicroCredit Enterprises is not involved in setting up or managing the assets pledged by the Guarantor.
7. Guarantor agrees to domicile collateral assets at a financial institution jointly approved by MicroCredit Enterprises and the Guarantor. A Guarantor pledges and grants two security interests: The first priority security interest is to the Guarantor's financial institution and the second to MicroCredit Enterprises. MicroCredit Enterprise's primary aim is working with financial institutions that offer a line of credit with affordable and workable terms and conditions. In consultation with MicroCredit Enterprises, a Guarantor may in some instances be able to domicile collateral assets at his or her current financial institution.
8. A Guarantor warrants he or she has sufficient knowledge and experience in financial and business matters that he or she is capable, either alone or with a representative, of evaluating the merits and risks of participating in the MicroCredit Enterprises program.
9. MicroCredit Enterprises warrants one hundred percent (100%) of profits or losses and/or asset appreciation or depreciation realized and controlled by the Guarantor are retained by and accrue exclusively to the Guarantor. MicroCredit Enterprises, its MFI borrowers or other Guarantors do not realize any financial gain or loss from a Guarantor's individual investment decisions.

4.7 Guarantor Eligibility and Suitability

The MicroCredit Enterprises program is only appropriate for high-net worth individuals and institutions who have the social goal of helping the poor in developing countries. A Guarantor pledge of collateral assets is not liquid and involves a degree of financial risk. Accordingly, Guarantor eligibility standards have been established for participation in the MicroCredit Enterprises program. MicroCredit Enterprises, acting alone or in conjunction with a financial institution,

reserves the right to reject any prospective, current or future Guarantor without cause.

Even though this program is not a securities transaction, MicroCredit Enterprises requires a Guarantor to be a high net-worth individual who is an accredited investor as defined under the Securities Act of 1933 and has an individual net worth, or joint net worth with the Guarantor's spouse, in excess of \$1,000,000 and/or had an individual income in excess of \$200,000 (or a joint income together with the Guarantor's spouse in excess of \$300,000) in each of the two most recently completed calendar years, and reasonably expects to have an individual income in excess of \$200,000 (or a joint income together with the Guarantor's spouse in excess of \$300,000) in the current calendar year. An institutional Guarantor's eligibility criteria are outlined in the Philanthropic Guarantee Agreement.

5.0 MicroCredit Enterprises Governance; Philanthropic Motivation

5.1 Mission Statement; Operating Principles

MicroCredit Enterprises is not operated as a profit-seeking venture for the benefit of any individual, including Guarantors. Nor it is operated as a non-profit for tax purposes. MicroCredit Enterprises is a limited liability company formed under the laws of the State of Delaware. Individuals or institutions that guarantee a line of credit for MicroCredit Enterprises do not achieve any financial profit or tax benefit. (To learn about the MicroCredit Enterprises Fund, Inc, MicroCredit Enterprises' tax-exempt, non-profit "sister organization," see the MicroCredit Enterprises website.)

On April 4, 2005, the Board of Directors of MicroCredit Enterprises adopted the following mission statement: "MicroCredit Enterprises, LLC is committed to reducing poverty by mobilizing private investment capital to finance micro-businesses of poor families throughout the developing world. MicroCredit Enterprises gears its entrepreneurial results to produce jobs, sustain micro-businesses and improve human lives."

The following philanthropic operating principles, also adopted by the board of directors, govern MicroCredit Enterprises (quoted from the LLC Operating Agreement):

1. "No part of the net earnings of MicroCredit Enterprises inures to the benefit of, or be distributable to its members, officers or other private persons, except that MicroCredit Enterprises pays reasonable compensation for services rendered and make payments in furtherance of the purposes set forth herein."
2. "No substantial part of the activities of MicroCredit Enterprises is for...propaganda or otherwise attempting to influence legislation, and

MicroCredit Enterprises does not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.”

3. “Upon dissolution and winding up of MicroCredit Enterprises, the assets of MicroCredit Enterprises shall be distributed as follows: (a) first, to the LLC creditors; (b) then, to a charitable, non-profit organization providing microcredit or analogous services that benefit poor women in developing countries or emerging markets.”

5.2 Leadership Team

The management team, board of directors, Guarantors and all other individuals and institutions involved with MicroCredit Enterprises are motivated by philanthropic, social justice and international economic development goals.

MicroCredit Enterprises is governed by a board of directors, a majority of whom are also Guarantors. All directors hold office without term limits. The full board roster with short biographies is posted and updated periodically at the MicroCredit Enterprises website.

The pro bono (that is, free of charge) management of MicroCredit Enterprises, includes the chief executive officer (full-time), the chief operating officer, the chief financial officer, legal services, tax and accounting services and many other professional services. Accordingly, MicroCredit Enterprises’ professional services, management and employee costs are minimal, so maximum benefit reaches the impoverished. In 2006 professional staff will be employed at a reasonable salary to better execute MicroCredit Enterprises’ mission.

All executive officers and directors execute a conflict of interest statement to assure that MicroCredit Enterprises’ socially responsible purpose is not compromised in any way. See the MicroCredit Enterprises Conflict of Interest Policy posted at the MicroCredit Enterprises website. MicroCredit Enterprises’ officers, directors, employees, designees and nominees are indemnified by MicroCredit Enterprises against any and all liabilities related to MicroCredit Enterprises to the extent permitted by law.

5.3 Financial History and Condition

MicroCredit Enterprises itself is funded primarily from the differential between interest received from our lending activities and the interest we pay to borrow funds from the financial institutions of our Guarantors. As a matter of operating policy, MicroCredit Enterprises undertakes to operate on a break-even basis; any excess revenues are earmarked for a loan loss reserve. Because MicroCredit Enterprises

has a limited prior operating history, it has no substantive financial information on prior operations and no material net worth.

A pro forma operating budget based on our best estimate of projected operating costs is available at the MicroCredit Enterprises website. No assurances can be given that MicroCredit Enterprises will achieve these projections because unforeseen events may reduce or eliminate anticipated revenue completely or increase expenses in which case MicroCredit Enterprises might use the line(s) of credit backed by our Guarantors' collateral assets to satisfy cash flow requirements for an interim period.

6.0 Guarantor Information; Get Involved

We want all your questions answered so you can evaluate the merits and risks of the MicroCredit Enterprises program, but the responsibility for due diligence on MicroCredit Enterprises, participating financial institutions and all other aspects of the program is yours. To learn more, to clarify any of portion of this Comprehensive Information Memorandum or to get involved, please contact:

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