



O'MEARA,
FERGUSON,
WHELAN,
AND CONWAY

AFRICAN DEVELOPMENT FUND



African Development Fund

“It is therefore a serious mistake to undervalue human capacity...”

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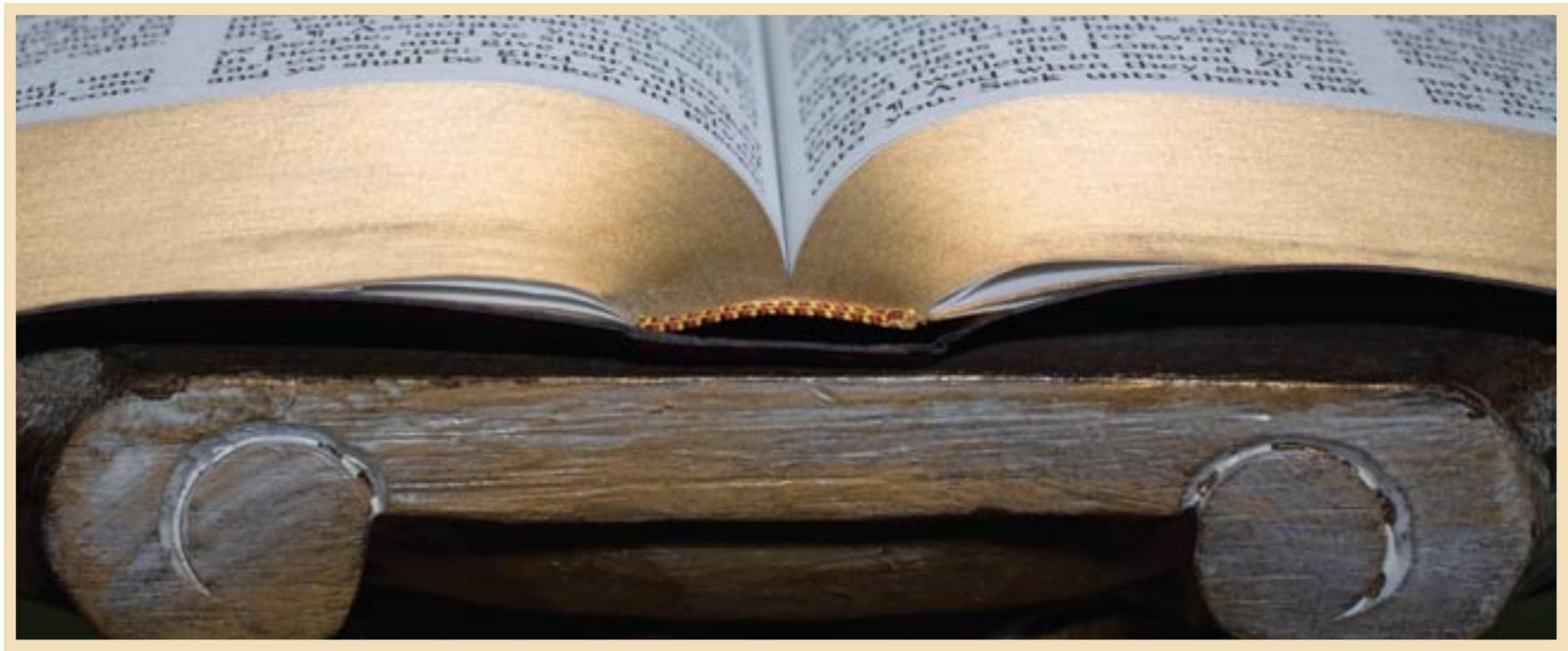
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*“Authentic
development
has to promote
the good of
every man and
the whole man.”*

Pope Benedict XVI, *Caritas in Veritate*, 18



INTRODUCTION

Pope Benedict's Encyclical Letter (*Charity in Truth*), addresses issues in global development and progress toward the common good. Though it is addressed to all people of good will, it specifically calls those with influence to apply it toward the authentic development of every person and all of humanity. The African Development Fund is our response to that call.

O'Meara, Ferguson, Whelan, and Conway is the market leader for strategic and financial consulting, stewardship fundraising and development, and investment management services to the Catholic Church. As leaders in investment and finance, and as Catholics, we are compelled to follow Christ's example of mercy and use our gifts toward the global development of all people. We must look within, and go beyond.

*“The significant new elements in the picture
of the development of peoples today
in many cases demand new solutions.”*

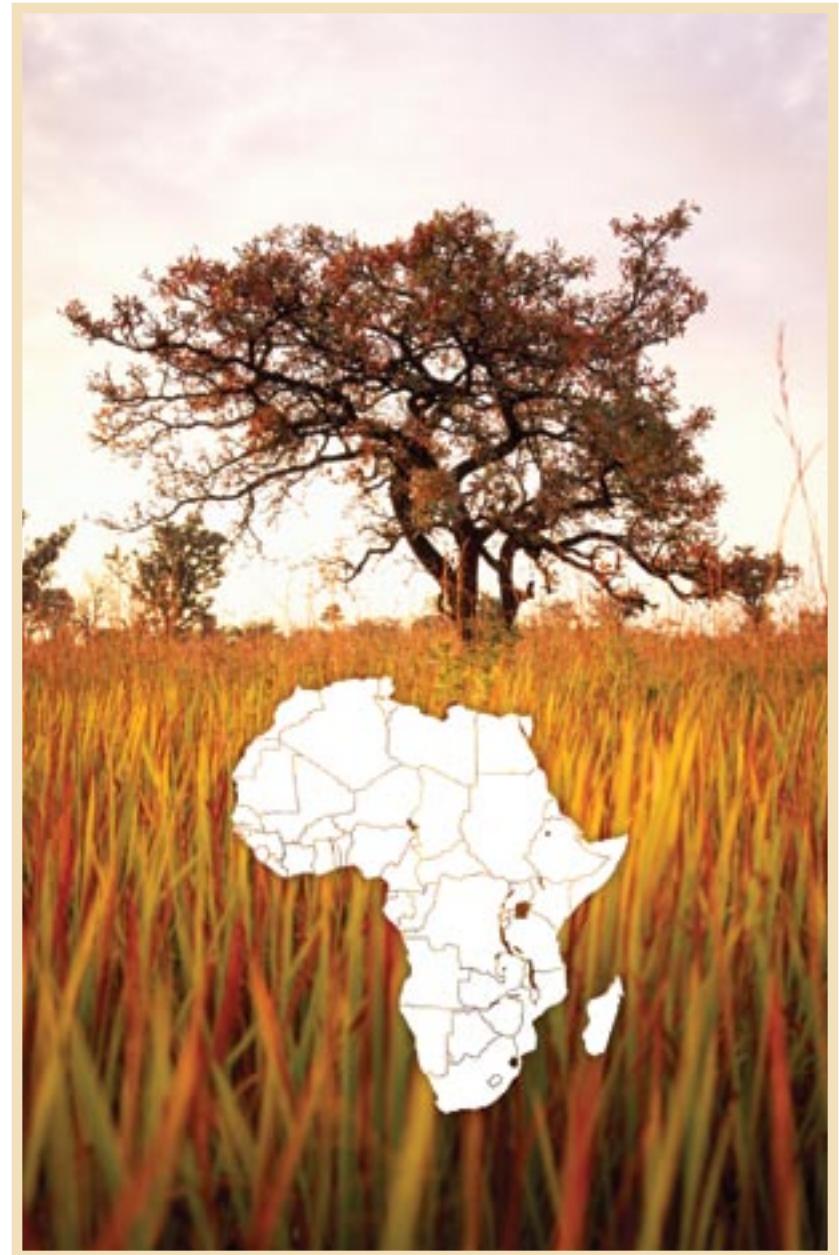
Pope Benedict XVI, *Caritas in Veritate*, 32



NEW SOLUTIONS

Following a series of exploratory discussions with sources conducting business on the African continent, the idea of establishing the Fund was developed. The Fund will be a for-profit endeavor with a dual mandate to generate attractive, risk-adjusted returns for its investors while pursuing development in sub-Saharan Africa as envisioned by *Caritas in Veritate*. We do not believe that this dual mandate is contradictory, but rather that in fulfilling the first part of its mission, the Fund will de facto fulfill the second part by directing capital to productive purposes in a region where it is desperately needed. The Fund will not be a traditional provider of aid in the form of grants, but rather will attempt to utilize market-based solutions to enable human development, and in particular, economic development that provides a Catholic social voice to an element of the population in which it is currently lacking.

O'Meara Ferguson is currently seeking to pursue a pilot-phase Fund of up to \$25 million which will target investments of \$50,000 to \$500,000 in small and medium enterprises (SMEs) with 10 to 100 employees. While the Fund will be free to pursue attractive opportunities in multiple countries, it is currently anticipated that Uganda will be a focus area due to the rich opportunity set and favorable infrastructure and institutional framework.



THE OPPORTUNITY

The SME sector is one of the principal driving forces for economic growth and job creation in sub-Saharan Africa. According to the 2005 Annual Report by the UN Economic Commission for Africa, SMEs and the informal sector represented over 90% of businesses, contributed over 50% of GDP and accounted for about 63% of employment in low-income countries. As such, enabling the growth of these entities represents one of the most direct opportunities to affect positive change for individuals in these areas.

Historically, it has been recognized that inadequate access to financing has been one of the most significant impediments to the creation, survival and growth of SMEs in Africa, but just as investment started to increase in recent years, the financial crisis of 2008 reversed the tide.

Private capital inflows to Africa reached US \$87 billion in 2008, but estimates by the United Nations Conference on Trade and Development suggest that private capital inflows decreased by 67% in 2009.

The need for financing thus remains acute, and otherwise healthy businesses are prevented from growing due to a lack of capital. From an investor's perspective, however, the result of this has been that the opportunity set of potentially

attractive investments has actually broadened in recent years. O'Meara Ferguson will look to leverage the strong Catholic networks within the countries in which the Fund will invest to overcome the barriers which have historically discouraged other investors. For example, a large proportion of SMEs operate within the informal sector which has made sourcing opportunities a very costly and inefficient process.

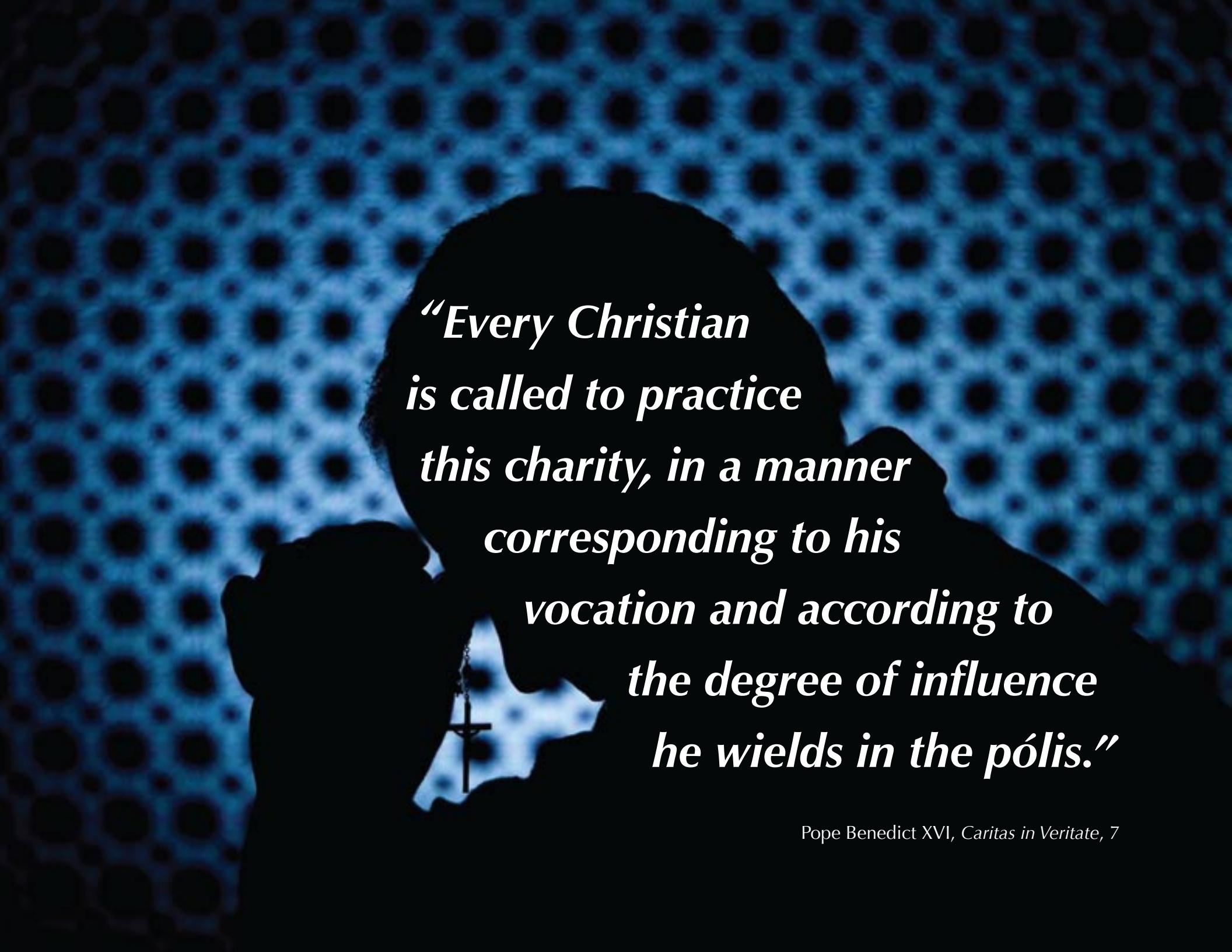
O'Meara Ferguson will tap into its Church and governmental relationships to aid in identifying opportunities that would have the largest economic impact and provide investors with the most attractive returns on their capital. Similarly, in monitoring investments on an ongoing basis, these relationships and our boots-on-the-ground experience will provide a competitive advantage, vis-à-vis the Fund's competitors.

While exploitative or morally objectionable investments will be disqualified from consideration, the manager will select individual investments based on their economic attractiveness to the Fund. The Fund will thus allow the market to determine the most productive uses for its capital and put it to use in those endeavors which express the highest demand. We believe that this is the only way for the Fund to pursue its dual mandate.

A photograph of a woman walking away from the viewer on a dirt road. She is carrying a tray balanced on her head, which contains several items, possibly food. She is wearing a blue top and a colorful, patterned skirt. The road is reddish-brown and appears to be in a rural, possibly African, setting with lush green vegetation on either side.

*“On this point too,
there is a convergence
between economic science
and moral evaluation.”*

Pope Benedict XVI, *Caritas in Veritate*, 32



*“Every Christian
is called to practice
this charity, in a manner
corresponding to his
vocation and according to
the degree of influence
he wields in the pólis.”*

Pope Benedict XVI, *Caritas in Veritate*, 7

THE TEAM

O'MEARA FERGUSON

Pat O'Meara, Founder and President

Jack Whelan, Chairman and CEO

Philip Ashton, President and CIO, O'Meara Ferguson Asset Management

James R. Grant, Managing Director, O'Meara Ferguson Asset Management

Mike Wagner, Vice President, Mission Advancement Services

Albert Holder, Director, Legal Affairs

Ed Caldwell, Analyst, Capital Advisors, African Project: Analyst



PROFESSIONAL ADVISORY

Bob Chronowski, World Bank Executive Advisor (with extensive experience on the African continent)



ADVISORY TEAM MEMBERS

Fr. Michael Place, Past President, Catholic Health Association

Fr. Dennis Dease, President, St. Thomas University

Shayne Bennett, Director, NET Uganda

Daniel J. Elsener, President, Marian University

Timothy Schacker, M.D., Professor of Medicine, University of Minnesota

Charles Lugemwa, Director, Hope Medical Clinic, Kampala

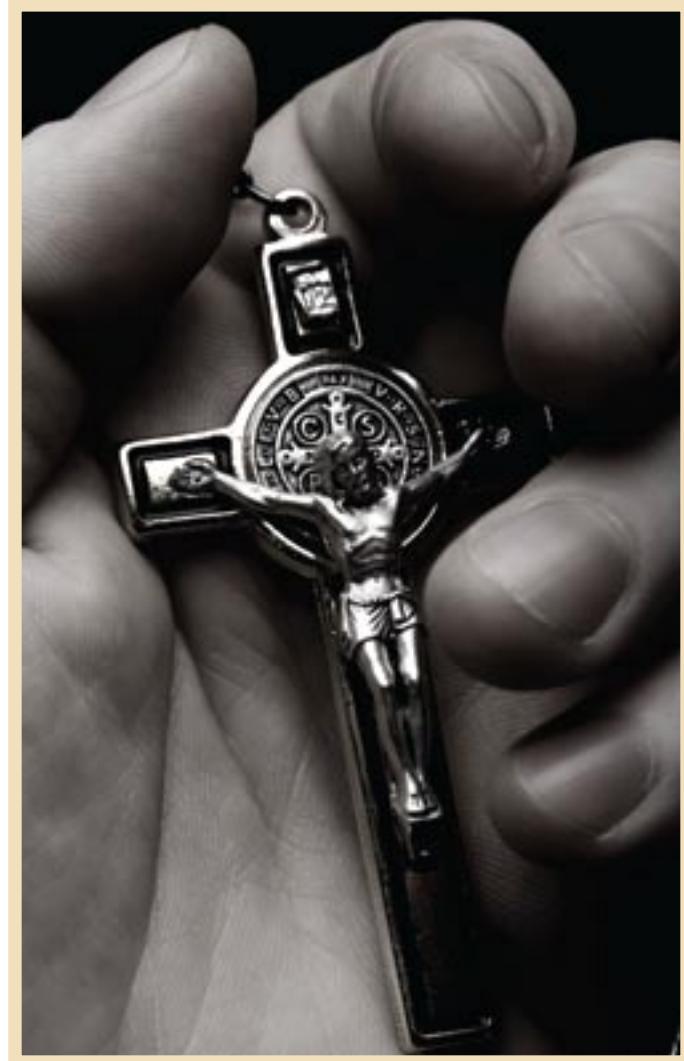
Fr. Daniel J. Mahan, Executive Director, O'Meara Ferguson Center for Catholic Stewardship at Marian University

FUNCTIONAL RELATIONSHIPS

The Fund will leverage the extensive relationships developed over the years by O'Meara Ferguson and the Fund's advisory personnel. Notable among these are numerous international and local Catholic institutional entities, particularly pedagogical development institutions dedicated to fulfilling Pope Benedict XVI's vision in *Caritas in Veritate*.

Examples of some of the relationships to be utilized include:

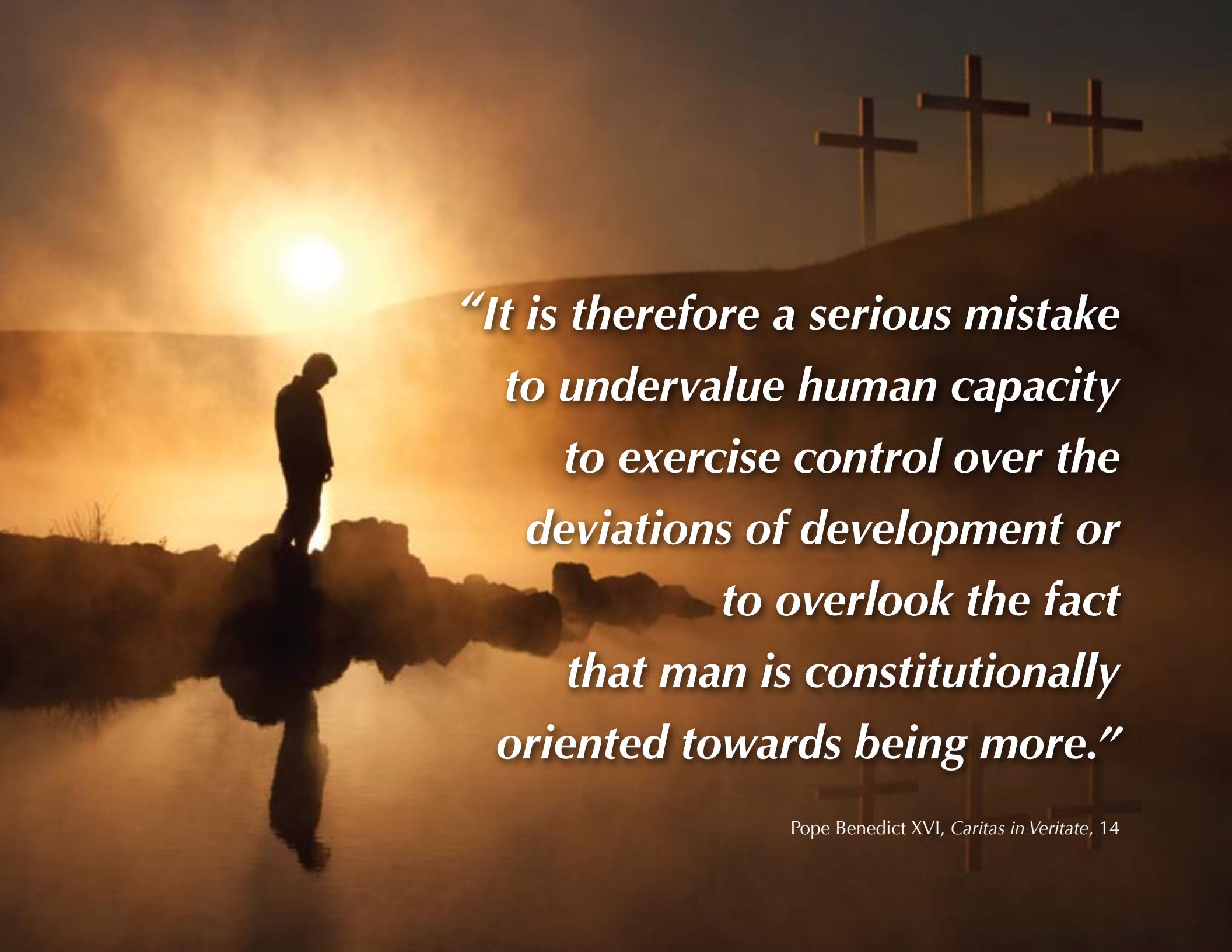
- Direct relationship with the Archdiocese of Kampala
- The Catholic Church in Uganda and other Church organizations in Kampala and the Vatican
- The Capuchins, the Carmelites and other orders thriving in Uganda and Kenya
- Government cooperation via existing relationships with the Ministries of Finance, Industry and others
- Entrepreneurial families that survive and prosper in the current economic environment



*“Man’s earthly activity,
when inspired and
sustained by charity,
contributes to the
building of the
universal city of God,
which is the goal
of the history of
the human family.”*

Pope Benedict XVI, *Caritas in Veritate*, 7





*“It is therefore a serious mistake
to undervalue human capacity
to exercise control over the
deviations of development or
to overlook the fact
that man is constitutionally
oriented towards being more.”*

Pope Benedict XVI, *Caritas in Veritate*, 14

INVESTMENT VS. AID

***“Man does not develop through his own powers,
nor can development simply be handed to him.”***

Pope Benedict XVI, *Caritas in Veritate* , 11

The Fund will focus on providing financing rather than aid in keeping with Pope Benedict's vision for human development. While traditional, grant-based aid will continue to play an important role in development, we believe that market-driven, private initiatives are often more effective at fostering lasting development.

By making investments in SMEs, the Fund will seek to pursue attractive opportunities for its investors while at the same time respecting the dignity of the individual by providing him with the tools to provide for his own development and requiring him to honor the responsibilities of his participation in an economic society.

***“The more we strive to secure a common good
corresponding to the real needs of our neighbours,
the more effectively we love them.”***

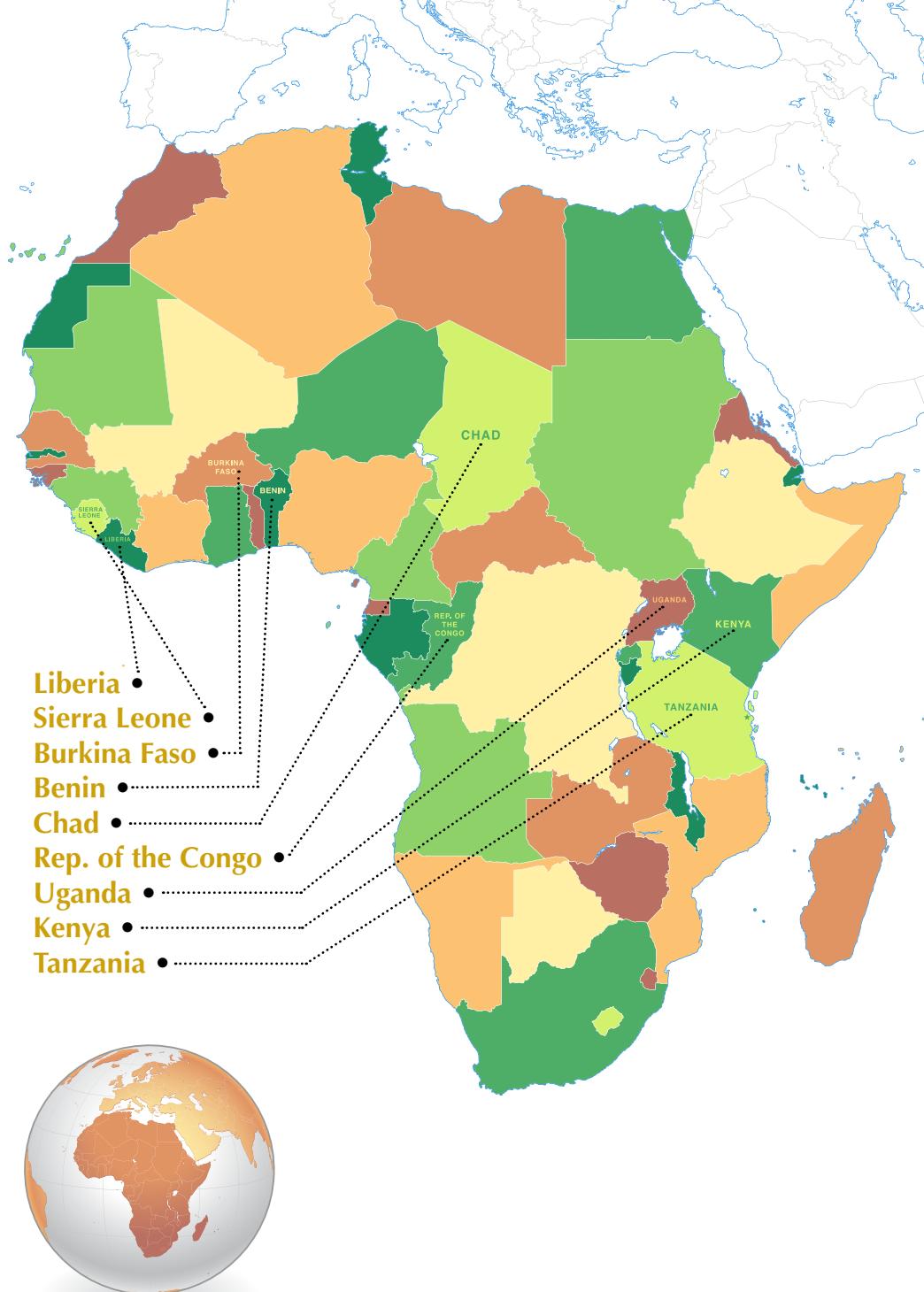
Pope Benedict XVI, *Caritas in Veritate* , 7



INITIAL GEOGRAPHIC FOCUS

The need for financing in the SME sector exists throughout sub-Saharan Africa but the infrastructure and cultural factors necessary for the Fund's success vary greatly by geography. Because of this, as well as more practical logistical concerns, it was decided that the Fund should initially focus its efforts on one or two countries, and an effort was made to identify those countries which offered the best opportunities for success.

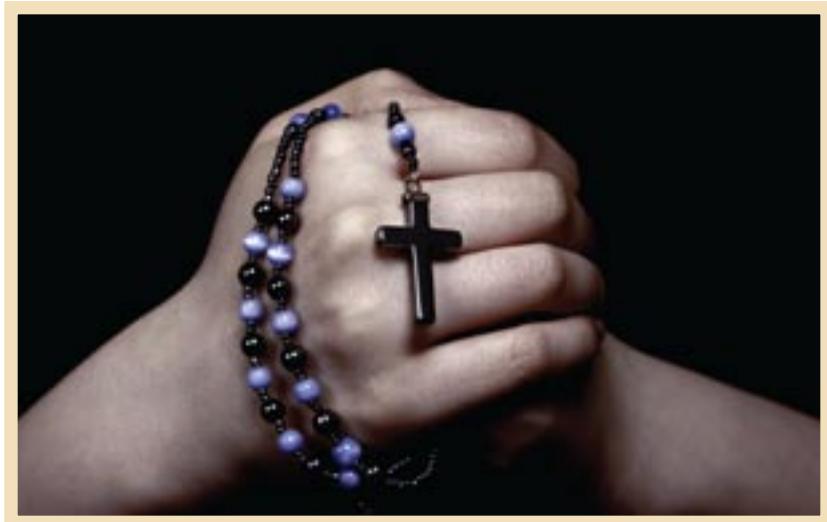
The initial countries under consideration are highlighted on the map to the right.



To best utilize the Fund's business network, properly fulfill its dual mandate and maintain its Catholic focus, the selected country must have a very organized Catholic institutional structure that is embedded deeply in all economic sectors and in all regions of the country.

"The primary capital to be safeguarded is man, the human person in his or her integrity. Man is the source, the focus and the aim of all economic and social life."

Gaudium et Spes, 63



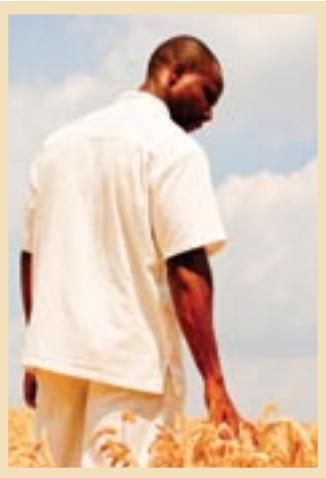
An important prerequisite for the development of any country is peace, stability and social cohesion in an environment of democracy and political and social tolerance.



For planning purposes the following criteria were considered in the selection of the initial target country:

- The investment climate, including the legal, regulatory and fiscal systems.
- The relationship and interaction between the private sector, government and the Church.
- The opportunity set of investments and ability to pre-vet investment opportunities.
- The transparency of the business environment.
- The institutional structure of the Church.
- The ability to gain access to legitimate entrepreneurs and create an ethical and moral safety net.

UGANDA



The Ugandan government embraces the Church's values, as needed for the good of society as a whole. Uganda is a Christian majority country with an active and substantial Catholic presence throughout its regions.

The Catholic Church is very well organized with vibrant grass-roots renewal as evidenced by the more than 2,000 prayer groups scattered throughout the country. There are diocesan and Religious Order seminaries responding to growing numbers of vocations and further confirming the vibrancy of the Church.

In *Caritas in Veritate*, Pope Benedict proclaimed that:

“Development is impossible without upright men and women, without financiers and politicians whose consciences are finely attuned to the requirements of the common good” and “the ‘social capital’ where a network of relationships of trust, dependability and respect for rules exists.”

Pope Benedict XVI, *Caritas in Veritate*, 32 and 71





Commercially, the country offers a relatively friendly business environment as it has adopted policies, legislation and regulatory reforms over the past decades that encourage private investment efforts. These reforms have begun to have an effect, as in 2008 Uganda recorded 7% growth despite the global downturn and regional instability. Uganda established securities exchanges in 1996 and several equities have been listed as the government has used the stock market as an avenue for privatization. All government treasury issues are listed on the securities exchange. The legal system is based on English common law and customary law and generally cooperates with international legal institutions. While corruption is low as compared to some other countries in the region, it will nonetheless need to be managed. The Fund believes that its Church and governmental relationships will provide it with advantages over its competitors in managing corruption.

Contacts in Uganda

- Retired Cardinal Wamala
- Archbishop Lwanga of Kampala
- Rt. Rev. John Baptist Kaggwa, Bishop of Masaka
- Rev. Alex Ojacor, Ggaba Seminary
- Capuchins of Busunju
- Joseph Alumansi, Renewal Ministries counterpart in Uganda
- World Bank Uganda Project Officers
- Uganda Private Sector Foundation
- Godfrey Turyahikayo, Rural Electrification Agency
- Madhvani Group, largest industrial family in country with ties to president and link with Church
- Mehta Group, smaller but long-term industrial family

INVESTMENT SPECIFICS

Target Return

The Fund will target a return to investors of 8%-10% per annum. The target return for individual investments will be significantly higher to account for downside risk and to cover the significant cost of managing the investments.

Fund Structure/Payback Period

Due to the limited liquidity in the underlying investments it is anticipated that the Fund will operate on a “committed capital” model with liquidity provided on a periodic basis as investments are realized. The expected payback period will be 5-7 years. Capital calls will be made on a periodic basis and will not be tied to individual investments, with the likelihood that annual or semi-annual calls will be common. The Fund’s access to “patient capital” is crucial in supporting its ability to make fundamentally sound and sustainable investments.

Fee Structure

Rather than a typical management fee plus incentive fee structure, the Fund will pass expenses through directly to investors and charge a management fee of [3.0%] per year. The Fund will not be paid any incentive fee or “carried interest.”

We believe that this structure best aligns the interests and incentives of management and investors. It is anticipated that the increased oversight and management necessitated by these smaller investments in regions such as Uganda, as well as the lengthier time period that may be required to monetize such investments, will result in expenses that may be significantly higher than those associated with the relatively more regulated and liquid investments typical of United States mutual funds or other similar investment products.





Typical Investments

The Fund will target SMEs and it is anticipated that the average investment size will be \$50,000 to \$500,000, with larger investments up to \$2,000,000 if warranted.

Debt vs. Equity

It is currently anticipated that the Fund will pursue investments in the form of both debt and equity, as well as hybrid structures. A significant goal of the due diligence trip is to assess the relative benefits of each, from both a formal, statutory standpoint and more importantly an empirical, first-hand perspective.

Debt investments will provide a steady stream of relatively predictable cash flows to the Fund. In instances where payments are missed or the investment risk increased, there may be mechanisms to safeguard the Fund's investment by accelerating repayment or eventually providing the Fund with a highly ranked claim on the remaining assets of the business which may be sold to fulfill the obligations. Debt investments must be structured so that the interest charged is high enough to compensate the Fund for the risk assumed, but low enough to allow the borrowers to profitably operate their businesses, and this will need to be determined on a case-by-case basis.

Debt investments may pose challenges when interest or principal payments are missed or become more risky. In these cases, the economic interests of the Fund (which the Manager has a fiduciary duty to pursue) may be contrary to the interests of those in whom it has invested.

Equity investments will allow the Fund to share more directly in the success or failure of the businesses in which it invests, providing greater potential profits but also exposing the Fund's investments to greater risk. The Fund will explore the possibility of utilizing instruments and structures such as warrants and anti-dilution protection that are well-known to the venture capital and other investment communities in the developed world and provide the opportunity for greater participation by the Fund in successes while limiting the burdens that may be imposed on struggling businesses. The secondary markets in Uganda and other potential target countries are still developing and the Fund may face challenges monetizing equity investments in a timely fashion and at a fair price.

RIPPLE EFFECT

The International Monetary Fund (IMF)

National Development Plan has outlined a realistic goal of:

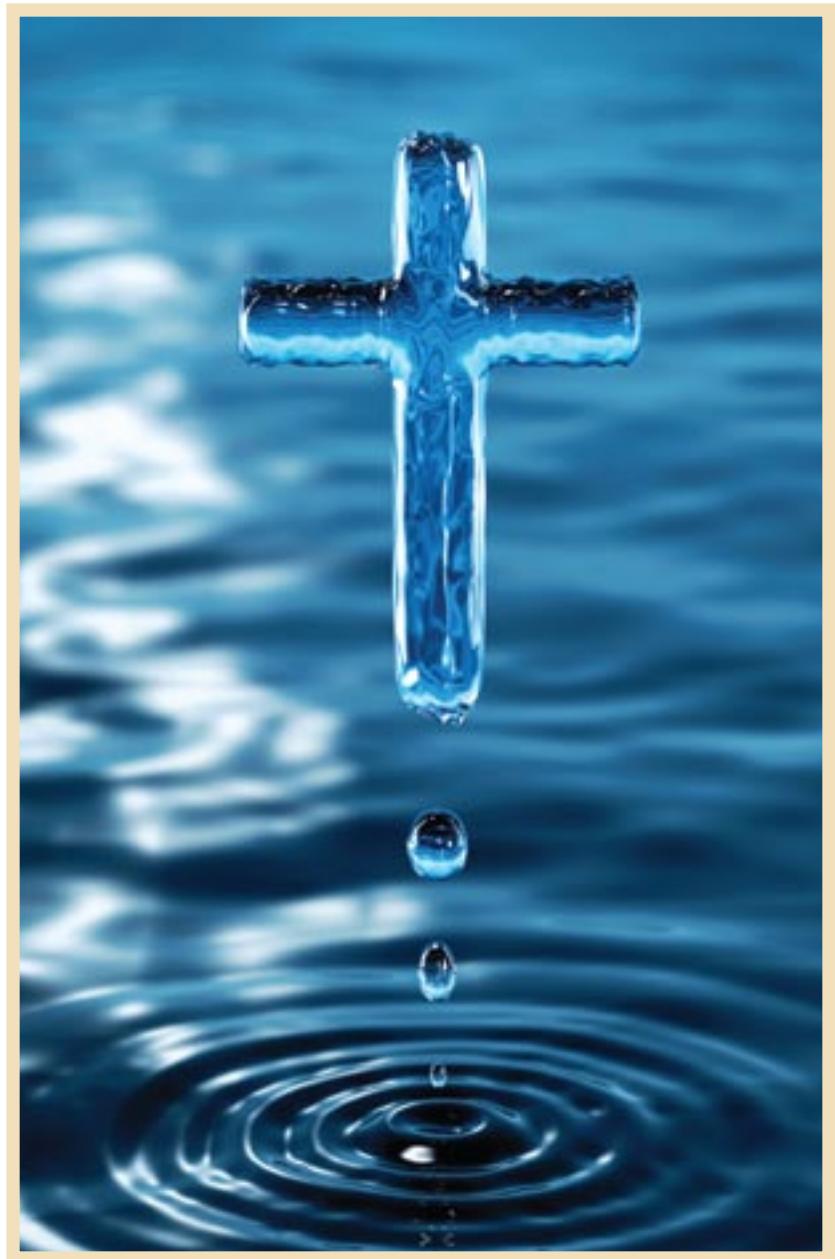
“a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years.”

At the same time, the Church teaches us that:

“in development programs, the principal of the centrality of the human person, as the subject primarily responsible for development, must be preserved. The people themselves, have the prime responsibility to work toward their own development.”

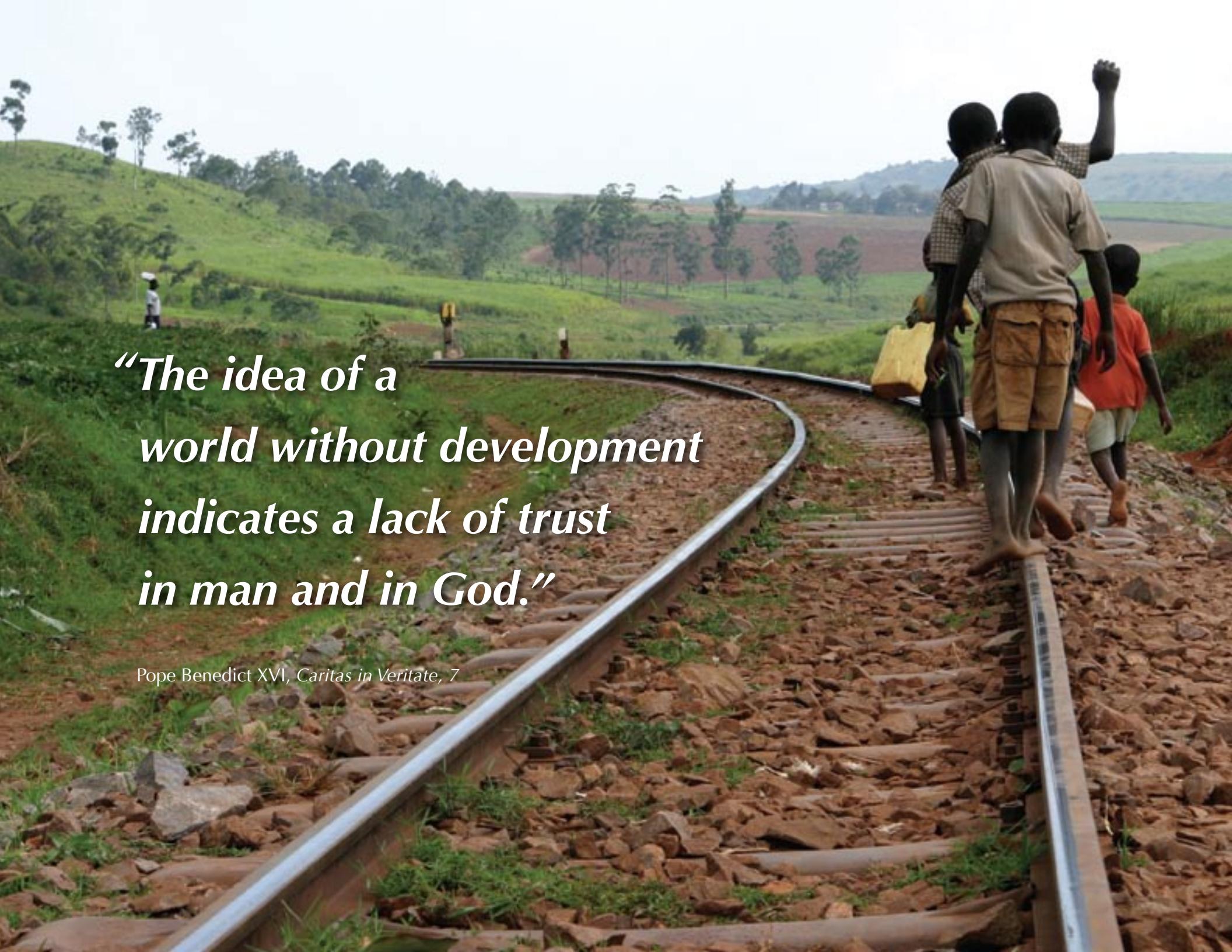
Pope Benedict XVI, *Caritas in Veritate*, 47

We believe that the African Development Fund presents a unique opportunity to advance both of these goals by providing the tools for individuals to become the catalyst of, and be responsible for, their own development, thereby affecting society around them for generations to come.



*“The idea of a
world without development
indicates a lack of trust
in man and in God.”*

Pope Benedict XVI, *Caritas in Veritate*, 7





*“To love someone
is to desire that
person’s good
and to take
effective steps
to secure it.”*

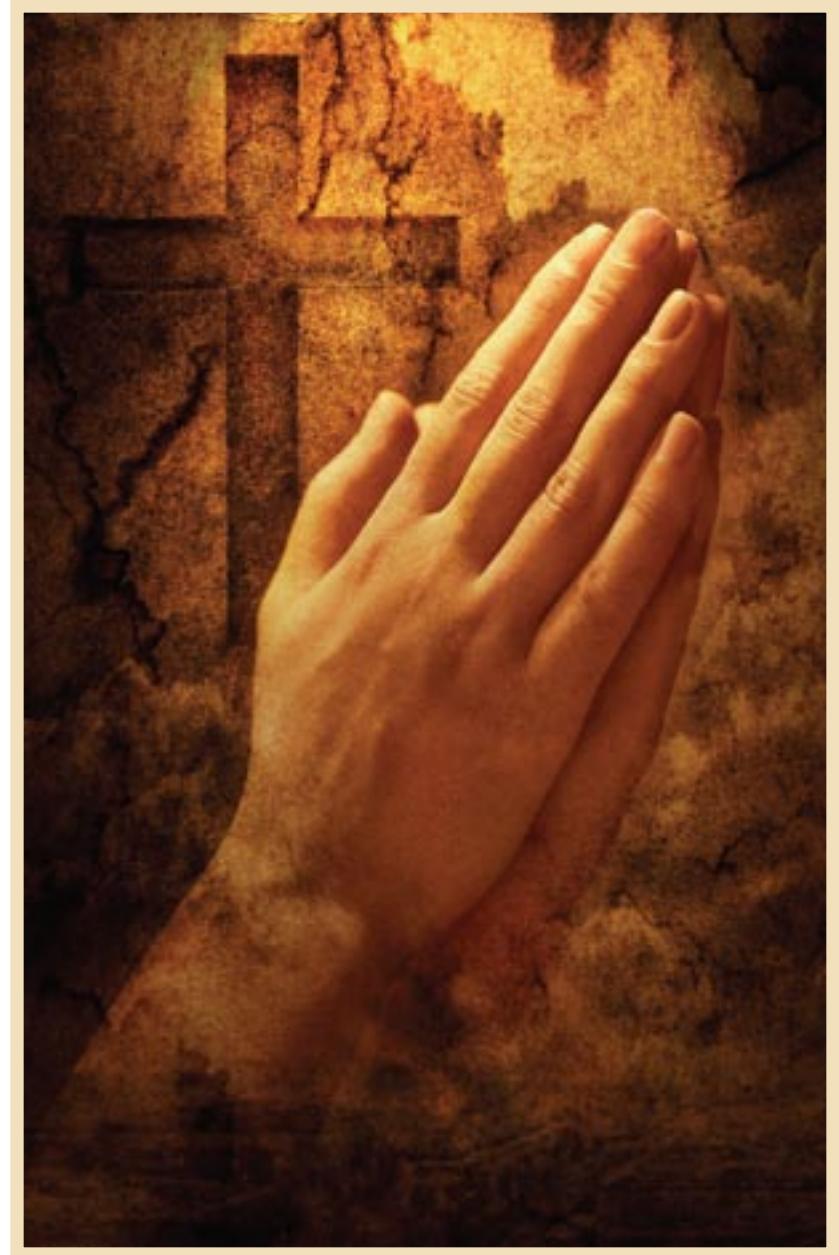
Pope Benedict XVI, *Caritas in Veritate*, 14

ABOUT O'MEARA FERGUSON

O'Meara Ferguson is the only company in the U.S. serving the Catholic Church in all aspects of the management of its temporal affairs, including strategic and financial consulting, stewardship and fundraising/development, and investment management services. Since its founding in 2000 and the acquisition of a portion of the business operations of RSI Catholic Services in 2007, O'Meara Ferguson has grown into a highly-specialized finance and consulting firm focused on serving the Catholic Church.

The Company's work is truly transformational and continues to capture market share at a time of significant attack on the Church and economic downturns of historic proportion. Already, the Company has engaged more than 20% of the 195 Catholic dioceses, many religious orders, schools and lay organizations by developing customized and innovative solutions across a range of services.

The African Development Fund is our response to Pope Benedict XVI's call to those with influence to apply it toward the authentic development of every person and all of humanity. Our due diligence mission will enable us to further discern the right path toward this end. This is a step outside ourselves and toward the mercy Christ showed us by loving us first. We welcome you to join us.



*“Authentic human
development
concerns the
whole of
the person
in every
single
dimension.”*



Pope Benedict XVI, *Caritas in Veritate*, 11



African Development Fund

Looking within. *Going beyond.*



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