

THE LOOKOUT

SECOND QUARTER 2003



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*Partnering with
Entrepreneurs
to Build Value*

FROM THE MIRADERO CAPITAL TEAM

First and foremost, we want to thank our readers for the overwhelmingly positive response to the first issue of *THE LOOKOUT*. We appreciate your comments and words of encouragement, and hope to continue to live up to your expectations.

In this second issue, we are very pleased to present our second portfolio company, Clínica Las Américas Guaynabo, Inc. ("CLAG"). We believe that CLAG is an innovative and much needed alternative in the field of healthcare services in Puerto Rico.

In the Industry News section, we highlight the 2003 edition of the Ernst & Young Entrepreneur of the Year Awards. We are proud to be one of the sponsors of the EOY Awards for the second consecutive year. We strongly support those activities in which we honor the entrepreneurs and the entrepreneurial spirit that thrives in our Island.

We interviewed Mr. Michael McDonald for our Mergers & Acquisitions Corner, and briefly discuss the formation of Banco

Popular's new Corporate Finance and Advisory Services Division and its potential impact on private equity in Puerto Rico.

Finally, as in every issue, we include our deal flow statistics to keep you informed of our efforts in finding investment opportunities for the Fund.

In this Issue

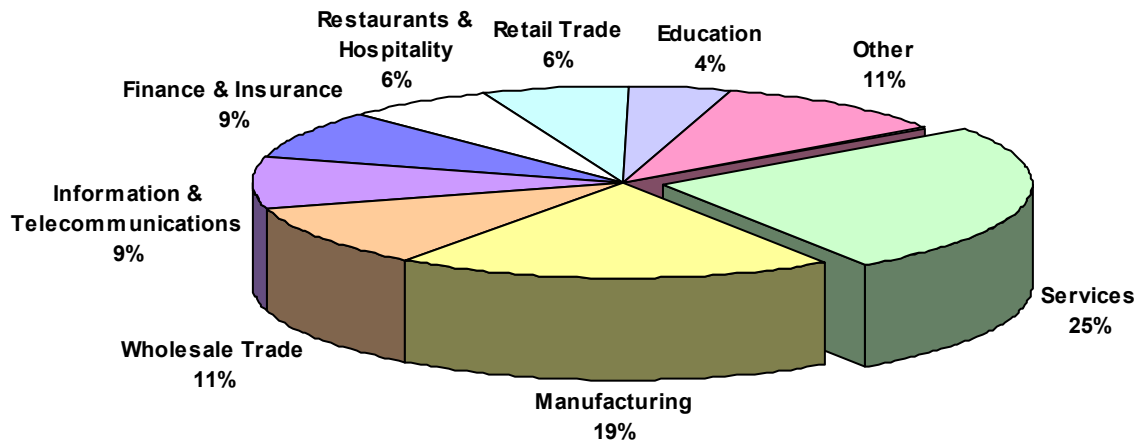
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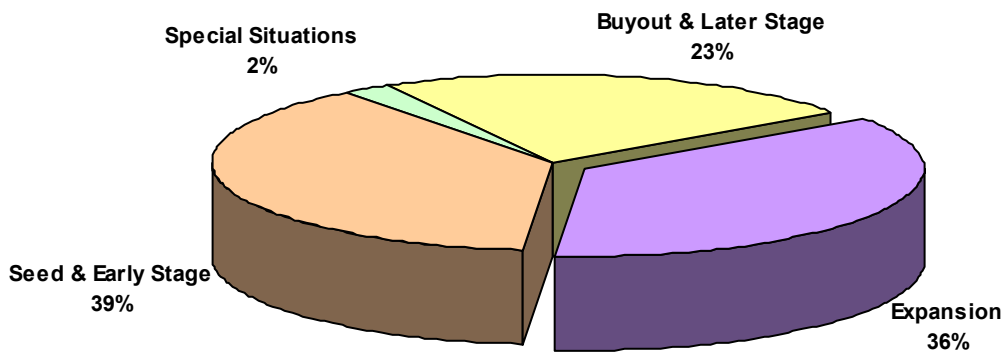
The Miradero Capital Team (from left to right) Arlyn Rodríguez, Zoilo Méndez, Angèlica Sherman, (seating) Federico Haeussler, Abdón Ruiz, and Mario Belaval.

DEAL FLOW REVIEW

In the six month period ended June 30, 2003, Miradero reviewed 47 investment opportunities. The Services industry presented the most activity, accounting for 25% of all cases, followed by Manufacturing with 19%, and Wholesale Trade with 11%.

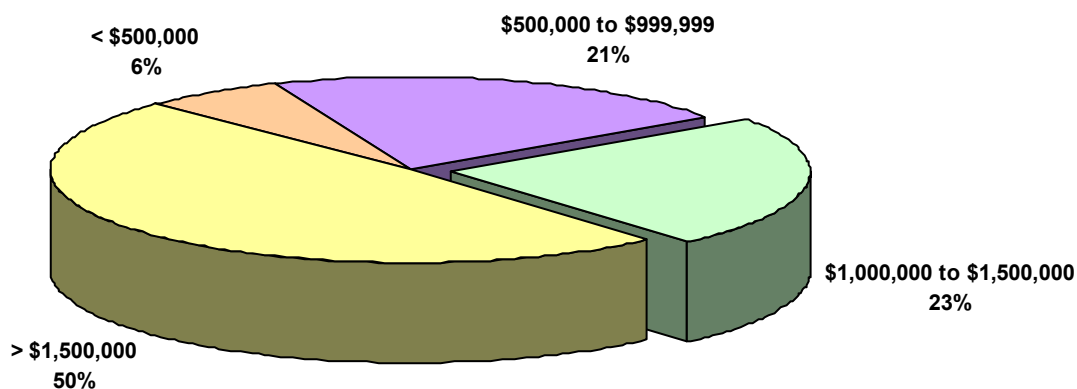


Although 39% of the opportunities received by the Fund during this period were in Seed & Early stage, this number represents a substantial decrease from 2002 where 50% of the opportunities were in Seed and Early stage companies. Expansion stage companies, with 36% of the total, and Buyouts & Later Stage transactions, with 23%, increased their share of opportunities reviewed from 22% and 19% respectively.

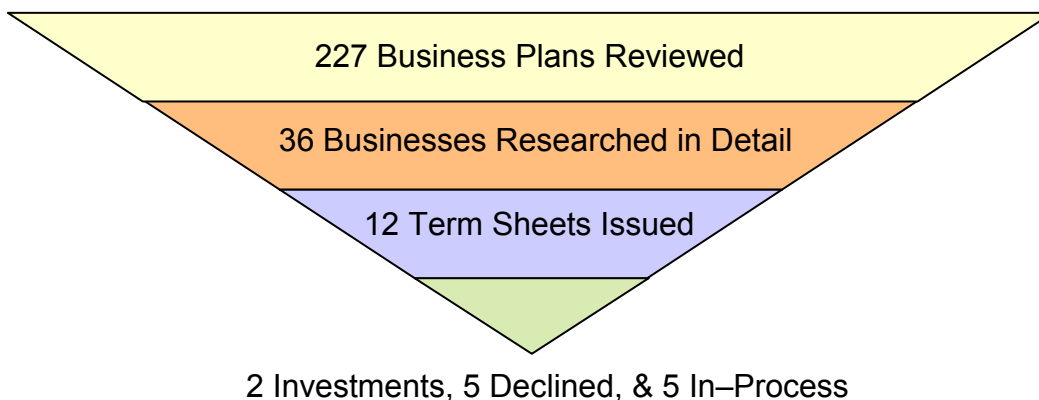


DEAL FLOW REVIEW (continued)

During this period, half of the companies reviewed were fundraising rounds of greater than \$1.5 million. The average financing round was \$2.9 million.



Altogether through the first 19 months of operations, the Fund has reviewed 227 investment opportunities. Of these, 36 (15.9%) were analyzed in greater detail. Emphasis was given to those companies that best fit the Fund’s investment approach; seeking proven management teams and business concepts that needed capital for expansion. As a result of a more extensive due-diligence process, twelve investment proposals were issued for a total of \$11.5 million in investment proceeds. These investment proposals were issued to companies in the healthcare services, business services, casual dining and wholesale trade sectors of our economy.



Of the companies to which term sheets were issued by the Fund, two became portfolio companies (Mannon and CLAG). Of the remaining investment opportunities, three were ultimately not pursued by the Fund and three have been placed on hold due to regulatory and business issues. In addition, two investment offers were declined by the target companies due to valuation differences and the availability of alternate funding sources, while two other companies are currently in the final due diligence and negotiation stages. One of the latter opportunities is expected to close in September 2003. Hence, the Fund’s goal for the final two quarters of 2003 is to complete between two and four additional investments with aggregate proceeds in the \$3 million to \$5 million range.

PORTFOLIO UPDATE

On June 6, 2003, Puerto Rico Entrepreneurs Fund closed on its second investment and first mezzanine financing with a \$1 million commitment to Clínica Las Américas Guaynabo, Inc. (“CLAG” or the “Clinic”).

Founded in 2000, CLAG is a full-service private healthcare facility located in Guaynabo. The Clinic’s staff provides primary care in obstetrics and gynecology, internal medicine, pediatrics, and odontology, while consulting physicians and dentists provide care in fifteen other medical and dental specialties. CLAG’s on-site clinical laboratory, cafeteria, pharmacy, and state-of-the-art radiology center – inclusive of CT and MRI facilities - complete the services available at CLAG.

Located in the same complex that houses the University of Phoenix on PR-177, Km 2.0 (Los Filtros Avenue, next door to the American Military Academy) CLAG’s simple business model is based on offering the residents of its service area with a one-stop healthcare facility which provides quick, efficient, and friendly service.

CLAG’s patient-centered approach includes providing medical appointments, extended service hours and integrated record-keeping and checkout areas. On a weekly basis, CLAG

provides 67 hours of primary care for appointments and for urgent walk-in service. Whether a busy professional looking for a healthcare facility that accommodates to his or her schedule, or concerned parents with a sick child, CLAG offers a new alternative to the seemingly eternal wait commonplace at local hospitals and physician offices.

Perhaps, as important as the extended hours and the availability of appointments, one of the biggest innovations of CLAG is the convenience of having a full range of medical and dental services available all under one roof and one admissions and payment system. Once a patient has been to the Clinic, the medical record is filed electronically in a proprietary software system which provides all the doctors access to the patient’s medical history.

Not only is this sharing of information important for analysis and patient diagnoses, it also simplifies the cumbersome record-keeping requirements for the doctors and the patients of CLAG. Instead of each of the nineteen medical and dental areas keeping a separate record for each patient, now all this information is entered once in the system and is immediately available for all the generalists and the specialists.

With a first-class medical faculty, the Clinic also offers additional premium services to its clientele. Through an alliance with the Mayo Clinic, CLAG offers a full array of stand-alone and jointly-run executive health care and wellness programs. In addition, the Clinic also provides individually tailored and supervised weight loss programs and a complete set of preventive radiology exams, such as full body scans. In the dental area, CLAG is also a full service facility providing cosmetic and specialized care, inclusive of endodontics and periodontics, orthodontics, oral and maxillofacial surgery and pediatric dentistry.

CLAG accepts most private insurance plans. The Clinic is also a provider for both Medicare and Tricare. For appointments, please call 787-789-1919. For more information about the Clinic, its medical and dental faculty, or the executive, weight loss and preventive radiology programs, please call Ms. Alba M. Rodríguez, Administrator, at extension 229.



PORTFOLIO UPDATE (continued)

Mannon Group

On April 1, 2003, Mannon Group Corp. ("Mannon" or the "Company") completed its second round of investment. The Company raised \$200,000 in this round, with Puerto Rico Entrepreneurs Fund committing to \$100,000 of this total, bringing its total investment to date in Mannon to \$600,000.

The additional funds are expected to be used for working capital purposes, to add additional

websites to the Mannon network, including sites for Hip Hop and Rap music; and to launch new print titles, such as Zúbea, a culture and fashion magazine, which are targeted to the 25-35 age group. With the addition of these new products, Mannon expects to complete its coverage of all the segments of the Puerto Rico youth and young adult markets and expand on its success with Agenda Noctámbulo.

This new bi-monthly magazine is already a well recognized brand

among retail advertisers, such as restaurants, pubs and clothing stores, which cater to the young and young at heart.

Agendanoctambulo.com, the magazine's companion website, is already the second most visited site in the Mannon network. If someone is looking for entertainment, whether it is a surfing contest, a jazz performance or an electronic music concert, agendanoctambulo.com is the site of choice for the most up to date information.

M & A CORNER

Headlining the merger and acquisition ("M&A") activity for this period was the strategic decision by Banco Popular de Puerto Rico ("Banco Popular") to establish a new Corporate Finance and Advisory Services Division ("CFASD" or the "Division").

Established with a core team of experienced former Citibank executives including Michael McDonald, Jaime Orsini, and Mariel Lama, the newly created unit of Banco Popular will have a staff with over 30 years of combined experience in advising companies in the structuring and financing of M&A transactions. While at Citibank, this group was responsible for a number of high profile transactions including the recent acquisition of Suiza Foods by Peru's Grupo Gloria.

Interviewed by *THE LOOKOUT*, Mr. McDonald commented on his new assignment, "Banco Popular is

an excellent platform for us to market our products and services. With a market share of over 30%, the bank has the broadest client base of any institution on the Island. It also has very strong relationships with many of the leading local companies. In many cases, Banco Popular backed these companies when they were first looking for a bank to lend to them."

The Division is already quite busy with a large in-house clientele. "Banco Popular has an aggressive focus on the middle market through its extensive network of CBCs ("Centros de Banca Commercial"). The CBCs primarily serve middle market companies, many of which are rapidly growing and have a need for additional capital," stated Mr. McDonald.

Given its extensive experience, CFASD is also expected to handle Banco Popular's loan syndication deals. As Mr. McDonald added,

"When we finance a larger acquisition, we look to the other institutions on the Island to participate with us in the transaction. Through this activity, we have developed a strong relationship with the local banking community."

In addition to the M&A and loan syndication work, CFASD will develop and market financial products, such as derivatives for locking interest rates, to the bank's corporate clients.

By creating this new Division dedicated primarily to M&A activity, Banco Popular is clearly signaling an increased interest and commitment to the middle market segment of Puerto Rico's business community. CFASD represents a new source of investment opportunities for the Fund.



INDUSTRY NEWS



Ernst & Young's 2003 Entrepreneur of the Year Awards (EOY) ceremony was held on June 20th at the Museo de Arte de Puerto Rico in San Juan.

The worldwide contest, organized by Ernst & Young, is designed to recognize entrepreneurs who have created, established, and developed successful businesses. In order to qualify, a business must have been in operations for at least three years prior to its participation in the program. Candidates are selected from referrals and nominations to the program as well as direct contacts from entrepreneurs wishing to participate.

The 2003 Entrepreneur of the Year Awards' local sponsors included: El Nuevo Día, Triple S, Liberty Cablevision, Doral Financial Corporation, Grupo Guayacán, Puerto Rico Venture Forum, Scotiabank, Radio WOSO, and Miradero Capital Partners. In addition, national and international sponsors included: CNN, USA Today, CNNfn, The Nasdaq Stock Market, and the Kauffman Center for Entrepreneurial Leadership.

Created sixteen years ago by Ernst & Young in the US, the contest has been held in Puerto Rico for the last six years. The program has also been expanded to over thirty other countries. Award recipients from the US attend the National Awards Ceremony held in Palm Springs, California, while recipients from other countries attend the International Awards Ceremony held this year in Monaco.

"The Entrepreneur of the Year Awards Program seeks to recognize great business achievements around the world. Such accomplishments are made possible by the entrepreneurial spirit — the incredible depth and character that entrepreneurs possess as they develop new technologies, create faster ways to distribute goods and services, and improve the quality of life for people around them."-E&Y

The EOY Awards program is a significant initiative in highlighting the importance of the entrepreneur as a key factor in the economic development of Puerto Rico. The program, together with other efforts, focuses in increasing awareness in the community of the entrepreneurs' impact on employment generation and the development of much needed local capital. In addition, it provides role models for other potential entrepreneurs to follow and clearly identifies entrepreneurship as an alternative career choice.

The selection process is carried out by seven judges, who are renowned business leaders and are solely responsible for the evaluation of the candidates and selection of the award recipients. The criteria which the judges may consider include, among others, initiative, creativity, complexity of the business, growth trends in terms of revenue and net income, employment generation and community participation.

Over thirty entrepreneurs participated in the 2003 EOY program, ranging from a small business with eight employees to a publicly traded company with over two thousand employees. The entrepreneurs which participated in this year's contest represented the full spectrum of the Island's business community: business services, construction, advertising, entertainment and TV production, financial services, manufacturing, pharmaceutical, community service and others.

This year, in a special tribute, a Lifetime Achievement Award was presented posthumously to Mr. Frank Unanue, former President of Goya de Puerto Rico. Mr. Unanue, who declined many awards during his lifetime, was represented by his family, who accepted the EOY Award in his memory. Miradero Capital joins Ernst & Young and the EOY Program in commemorating and celebrating the life and achievement of Frank Unanue.

INDUSTRY NEWS (continued)

In addition to the special tribute to Mr. Unanue, the program recognized nineteen finalists this year, of which the following were recognized as the 2003 EOY Award recipients:

<p>Consumer Products and Services <i>Luis H. Berrios</i> <i>Tropigas de Puerto Rico</i></p>	<p>Socially Responsible <i>Dr. Nelson I. Colón</i> <i>Puerto Rico Community Foundation</i></p>
<p>Financial Services <i>Rafael Arrillaga Torrens, Jr.</i> <i>Eurobank</i></p>	<p>Health Services <i>Elizabeth Plaza</i> <i>PharmaServ</i></p>
<p>Communications <i>Carmen Jovet</i> <i>Productora Nacional</i></p>	<p>Manufacturing <i>Jesús M. Sosa</i> <i>Vent Alarm Corp.</i></p>
<p>Professional Services <i>Jesús J. Suárez</i> <i>CSA Group</i></p>	<p>Hospitality/Real Estate/Construction <i>Vadim A. Nikitine</i> <i>Commercial Centers Management</i></p>
<p>Consumer and Business Services <i>Marcos Rivera Rivera</i> <i>Ready & Responsible Security</i></p>	<p>Emerging Entrepreneur <i>Efrén Pagán</i> <i>Arco Publicidad</i></p>
<p>Master Entrepreneur <i>Víctor J. Galán</i> <i>R-G Financial Corporation</i></p>	

We at Miradero Capital feel proud of our continued sponsorship of the EOY Awards, and look forward to our future participation. We also urge our readers and friends to join us in supporting the event and nominating candidates for next year's Entrepreneur of the Year Program.



The 2003 Ernst & Young Entrepreneur of the Year Award recipients.



Miradero Capital's Abdón Ruiz and E&Y's Jorge Cañellas present the Award to Mr. Marcos Rivera Rivera.

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