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Endeavor—Determining A Growth Strategy

Everybody thinks we're crazy.

— Linda Rottenberg, Co-Founder & CEO, Endeavor (1997)

Endeavor's model is an ideal exit strategy for troubled economies. Our work in Argentina is an example of how Endeavor can help create stable, local private sector infrastructure.

— Peter Kellner, Co-Founder, Endeavor (2002)

Endeavor has played an instrumental role in promoting entrepreneurship as a tool for development. It is a model that should be replicated around the world.

— James D. Wolfensohn, President, The World Bank (2001)

On May 21, 2002, Linda Rottenberg surveyed the map of the world hanging on the wall behind her desk. Rottenberg was the CEO of Endeavor, a non-profit organization dedicated to stimulating and supporting entrepreneurship in emerging markets. In five years, Endeavor had succeeded in building largely self-sustaining local operations in five Latin American countries: Chile, Argentina, Brazil, Uruguay, and most recently, Mexico. During this time, Endeavor had screened over 4,000 entrepreneur candidates from these countries and elected 119 outstanding entrepreneurs from 64 companies into the Endeavor Entrepreneur Network. These entrepreneurs in turn, were responsible for generating over 6,000 new jobs and over \$400 million dollars in revenue during a period of general economic decline and increasing unemployment throughout the region. Endeavor was widely praised for identifying outstanding entrepreneurial ventures, helping them succeed, and building a local infrastructure to support entrepreneurship.

In one week, Rottenberg would lead a discussion with members of Endeavor's Global Advisory Board. Key topics for that discussion included a discussion of where in the world Endeavor should next seek to establish operations, as well as how to fund the non-profit's growth.

After its first few years of a relatively hand-to-mouth existence, Endeavor had succeeded in establishing what it referred to as its "country benefactor" model. In Rottenberg's words: "This approach requires local business people in the host country to sign-up and support the local effort not only financially, but with their wealth of knowledge, experience, and contacts."

Professor William A. Sahlman and Dean's Fellow Taz Pirmohamed wrote the original version of this case, "Endeavor," HBS No. 803-075, which is being replaced by this version prepared by Professor William A. Sahlman and Senior Lecturer Michael J. Roberts. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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As the local funding model had become successful, it became more difficult to raise funding for Endeavor Global—the New York-based headquarters of the organization: “The local benefactors really take a lot of ownership of the effort so, of course, they want the funds they have raised to stay in-country.”

At the same time as Rottenberg and her team were challenged by the funding climate, they were eager to expand the geographic footprint of Endeavor. In Rottenberg’s words:

We want to expand beyond Latin America, in part because we want to prove that the model works in other parts of the world and in part, because we believe in the power of our model to truly help people. But it is hard to decide where to go next: Spain, India, Africa, and Turkey are all on the radar screen. I know these places differ dramatically on all sorts of dimensions, and we need to think through this choice very carefully.

Rottenberg stared at the map. She was justifiably proud of Endeavor’s accomplishments to date and ready to take it to the next stage. At the same time, she had the all-too-familiar knot in her stomach that always tightened when resources were low. Just then, Robin Pinckert, Endeavor’s CFO, came to her office to review preliminary financial projections that would help inform discussions with the Global Advisory Board.

Endeavor – The Early Years

Endeavor grew out of a “coalescing of the minds” of its two founders, Linda Rottenberg and Peter Kellner, in mid-1996 (see **Exhibit 1** for background information on Rottenberg and Kellner). At 27, Kellner had a track record of successful entrepreneurship, having co-founded Russia’s largest western-managed independent oil company, Khanty-Mansiyk Oil Corporation, and Hungary’s first interdisciplinary, non-governmental, environmental organization—the Environmental Management and Law Association. Rottenberg, then 28, had graduated from Yale Law School and was working for Ashoka¹ in Latin America, where she learned first-hand how entrepreneurial non-profits provided innovative solutions to global social problems.

At the same time, there was a growing awareness of the role that entrepreneurship could play in an economy. In the United States, to illustrate, a steady stream of research revealed the importance of entrepreneurship to that economy. Research indicated that:

- Entrepreneurs were responsible for 67% of inventions and 95% of all radical innovations since World War II²
- Entrepreneurial firms were responsible for a disproportionate share of job creation. The *Fortune 500* companies lost more than 5 million jobs during the 1980-1997 time period, while 350,000 “fast growth firms” (out of 6,000,000 US businesses) created two-thirds of all new jobs.³
- Due in part to these factors, researchers described a strong correlation between entrepreneurial activity and economic growth. In the words of one researcher, “...holding all

¹ Bill Drayton founded Ashoka in 1980 to promote entrepreneurship in the social services sector (See <<http://www.ashoka.org>> for more information).

² “Embracing Innovation,” National Commission on Entrepreneurship White Paper, p. 3.

³ *Ibid.*, pp.3-4

other factors constant, entrepreneurial activity appears to explain half the difference in growth in GDP..."⁴ (see **Exhibit 2a**.)

While working in Latin America, Rottenberg noticed the lack of an infrastructure for entrepreneurship and concluded that its absence had significantly impeded new enterprise development. In her words: "Job creation is the key to getting traction in most other kinds of improvement in society, and entrepreneurship is the key to job creation." Kellner, then a first-year student at the Harvard Business School, met Rottenberg when she was recruiting MBA students for Ashoka. They discussed the role of entrepreneurship in stimulating wealth creation and employment opportunities in Latin America. Kellner recalled:

Most emerging-market countries,⁵ unfortunately, have not benefited from entrepreneurship. An Inter-American Development Bank (IDB) study⁶ pointed out that entrepreneurs in emerging markets faced a number of additional hurdles. (See **Exhibit 2b** for some excerpts from the study.) Their countries often lacked a strong tradition of entrepreneurial initiative and risk taking. They had few role models, colleagues, or support networks for mentorship or encouragement. They had limited access to information and case studies on the entrepreneurial process. Finally, they had difficulty raising capital to grow their companies since local capital markets were significantly underdeveloped and venture capital was scarce, if available at all.

Following their initial research, Kellner and Rottenberg concluded that there was a significant gap between the micro-credit programs and larger-scale government finance projects. In Rottenberg's words: "There was nothing that attempted to address the barriers to entrepreneurship in a holistic way. We decided to create Endeavor to bridge this gap."

Kellner and Rottenberg attracted two key partners as founding board members: Jason Green, a successful venture capitalist at US Venture Partners, a Silicon Valley VC firm, and Gary Mueller, a successful entrepreneur whose firm, Internet Securities, focused on companies in emerging markets. (See **Exhibit 1** for their bios.) Rottenberg described people's initial reactions to the Endeavor concept:

When we launched Endeavor, the finance professionals we talked to thought that Peter and I were out of our minds! We were in the midst of the Asian financial crisis and many emerging markets had just collapsed. In the United States, people were skeptical about Endeavor's ability to find competent entrepreneurs in Latin America and other emerging markets. From their perspective, they simply didn't exist—and even presuming we could find local entrepreneurs, US finance experts were skeptical that we could really cultivate a climate of entrepreneurship. To make matters worse, the majority of Latin American business leaders had never heard of venture capital or entrepreneurship. And they weren't willing to trust young entrepreneurs with their money or business savvy.

Rottenberg and Kellner listened carefully to people's objections and concerns—and then set out to develop the Endeavor operating model and to raise seed financing.

⁴ Andrew Zacharakis, William Bygrave, and Dean Sheperd, "Global Entrepreneurship Monitor—National Entrepreneurship Assessment—United States of America, 2002," Kauffman Center for Entrepreneurial Leadership, p. 8.

⁵ "Emerging Market" was a term that referred to countries that were making significant progress with their economic development, and were on the cusp of becoming developed economies.

⁶ The IDB was the oldest and largest regional multilateral development institution, established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. See <<http://www.iadb.org>> for more information.

By mid-1997, Rottenberg and Kellner had formally established Endeavor as a non-profit organization and set out to test their pioneering global development model in Latin America. They set up the proverbial “garage” in Rottenberg’s home in New York and traveled to Chile and Argentina for additional information gathering. Kellner provided \$300,000 in seed financing and offered to supply an additional \$200,000 if Rottenberg could find a matching investment. Rottenberg –in search of “smart money” –approached Stephan Schmidheiny, a highly regarded Swiss business leader and international philanthropist, of the AVINA Group⁷ to match Kellner’s contribution. Avina agreed to give Endeavor \$200,000 plus an additional \$20,000 for each entrepreneur selected, up to a total of \$300,000. And, Schmidheiny took a seat on Endeavor’s board (See **Exhibit 1** for bio.)

The First Endeavor – Chile

In 1997, Rottenberg and Kellner developed a framework for evaluating which countries should join the Endeavor network. They determined that an ideal Country Affiliate was characterized by: 1) a relatively robust business environment; 2) a strong university system; 3) a viable local market; 4) political stability; and 5) the presence of highly networked private business leaders that shared Endeavor’s vision and values. Rottenberg and Kellner selected Chile as the first Country Affiliate. She recalled:

We decided on Chile for two reasons: I had experience and local contacts in Chile from my time with Ashoka and Chile did not have an overwhelming size or economy. Strictly adhering to our country selection criteria was less important than finding the right place to pilot our model. Over the next year, we worked hard at building Endeavor Chile and managed to find some really great entrepreneurs—but we didn’t have a local board in place. Our original concept was to build a strong local board to help us with fundraising and the contacts we needed to help our entrepreneurs. But, because of the somewhat politicized nature of the business landscape, we decided that getting some strong people on our board would alienate others we wanted to work with. So, we simply proceeded without a local board.

While the early experience was a struggle, Endeavor nonetheless managed to make progress, selecting nine entrepreneurs from five companies in the January 1998 selection panel in Santiago. (See **Exhibit 3** for Selection Criteria used by Endeavor.)

During these early years, Endeavor established and refined several components of its operational model. First, Endeavor developed a multi-step model for transforming its work with a handful of select entrepreneurs into a broader venture friendly environment and culture of entrepreneurship. See **Exhibit 4** for details of this approach.

Early Endeavor Success Stories – OfficeNet and Patagon.com

Though Endeavor struggled in Chile, the organization was successful in identifying some attractive entrepreneurial teams to support. Early on, Endeavor had started to work with two young Argentine entrepreneurs, Andy Freire and Santiago Bilinkis who aspired to create the “Staples” of Latin America. They were introduced to Endeavor by Martin Bohmer – an Argentine lawyer – whom Rottenberg had met at Yale Law School. In January 1998, at Endeavor’s first Selection Panel, Freire and Bilinkis were selected to be Endeavor Entrepreneurs. Their business plan for OfficeNet

⁷ AVINA was the non-profit equivalent to a venture capitalist: a “venture philanthropist” that donates money to non-profits yet insists on measuring impact. See <<http://www.avina.net>> for more information.

resembled the office supply companies in the US but targeted geographies in the Southern Cone. Within a few years, they had built up a successful business with over \$50 million in revenues. Endeavor had helped them negotiate a sensible early stage deal and later arranged growth capital from a Brazilian private equity firm. In return, Freire and Bilinkis used their success to educate other aspiring entrepreneurs—one of whom became CEO of Patagon.com—another Endeavor success story.

Wences Casares, 24, had developed a business plan for a Latin American personal financial management portal named Patagon.com. After his plan was rejected by 33 venture capitalists, he was finally given his first break—he was selected as an Endeavor Entrepreneur in Endeavor’s second selection panel in August 1998. Rottenberg accompanied him on his next fundraising trip, which resulted in the receipt of four term sheets. With the coaching of several Endeavor entrepreneurs and board members, Wences signed an agreement with Chase-Flatiron to fund his operation. Less than 2 years later, Casares sold approximately 75% of his company to Banco Santander for over \$700 million.

Rolling Out the Model

Expanding to Argentina

As the Chilean Affiliate began to gain some traction, Endeavor turned to Argentina to be its next Country Affiliate. Rottenberg explained: “I knew if we had success in one country, people would say it was luck. We needed to prove that the model was replicable. OfficeNet was a company with strong ties—indeed headquartered – in Argentina, so when we selected them, we were already looking towards Argentina.”

Rottenberg went back to Schmidheiny to seek new funding from AVINA. He agreed to provide \$200,000 on the condition that the sum was matched with local funding. In August of 1998, Rottenberg convinced Eduardo Elsztain, a successful entrepreneur, to commit seed funding to Endeavor Argentina, and to chair that country’s board. He was successful in bringing others aboard as country benefactors, and in August 1998, Endeavor ran its first selection panel in Argentina, selecting eight entrepreneurs from an additional five companies, including Casares. [Note: while the later Endeavor model evolved to independently incorporate and fund each of the country affiliates, the first several years of the Chilean and Argentine ventures were simply run as extensions of Endeavor Global.]

Rethinking the Funding Model

By 1999, Endeavor had received \$75,000 from the World Bank and the IDB had pledged between \$1.8-\$2.1 million over three years. While the development banks had significant capital resources and offered widespread distribution channels to promote Endeavor’s activities, both were perceived as slow and bureaucratic organizations. Still, Endeavor’s funding model was not yet sustainable. Rottenberg explained:

We had a tough time raising money in the US—less than 1.3% of US philanthropy goes to international causes—people have a hard time giving money when they perceive the impact to be distant. And, most of the development organizations that exist—like the World Bank—have a “poorest of the poor” mindset. Latin America and the Caribbean receive, in total, about half the official development assistance of sub-Saharan Africa. We talked to the World Bank,

and other foundations, and they initially perceived our focus on “emerging markets” as elitist. They said, ‘go to Africa and work in Malawi’ or they said, ‘work with women-owned businesses or environmental businesses.’ Every foundation has its own, very specific focus, and we didn’t fit in their funding frameworks. In addition, once you do prove that something is effective in the non-profit sector, no one wants to fund it to take it to scale.

I decided it would be easy to succumb to ‘mission creep’ and go to where the money was, but fundamentally, I really believed in our mission and our model, and had seen enough evidence that it could work. I was resolved to stay the course on our own terms.

In addition to funding issues in the local country affiliates, the global office was operating on a very tight budget and shaved costs by making extensive use of volunteers. Moreover, the fact that local offices couldn’t raise enough operating capital was draining the global office budget. If Endeavor Global remained on its then-current path, it anticipated accumulating an operating deficit of \$850,000 in the short term, and a total budgetary shortfall of \$2.8 million by 2001 – a problem that would persist until stable sources of long-term financing could be raised.

In April 1999, Rottenberg hired Robin Pinckert (HBS ‘96) as Endeavor’s Chief Operating and Chief Financial Officer to help address the issue of financial sustainability (see **Exhibit 5a** for management biographies). Soon after her arrival, Pinckert helped frame several funding options for Endeavor in preparation for the Global Advisory Board (GAB) meeting in May 1999. These included:

- **Fee for service** Under this model, Endeavor start-ups would be required to pay for value-added services. A potential fee structure included annual membership fees ranging from \$25,000-50,000, and broker fees paid to Endeavor for introducing entrepreneurs to investors. Several advisory board members liked its market-driven approach, but Rottenberg worried that entrepreneurs would not have the liquidity to pay these fees themselves, and that serving as a broker with financing sources would present a conflict of interest.
- **Endeavor Seed Capital Fund** Under this model, Endeavor would launch a seed fund managed by professional venture capitalists such that half of the carried interest or “carry” would be given to Endeavor. Rottenberg and many board members were concerned that a fund would divert Endeavor resources away from facilitating entrepreneurship and would alienate stakeholders and the local business community, since Endeavor would lose its transparency as a “neutral party” with entrepreneurs and investors.
- **Launch an Internet Company, Affiliate, or Spin-off** Under this option, Endeavor would spin-off a for-profit Internet company similar to Garage.com. Again, Rottenberg and the board felt that such a model compromised Endeavor’s ability to act as a neutral broker on behalf of entrepreneurs and would divert resources away from Endeavor’s main role of facilitating entrepreneurship.

Ultimately, Rottenberg and the board settled on what they termed the **Country Benefactor Model**. Under this model, Endeavor Global would identify Country Benefactors who would support the first four years of local operating costs, amounting to approximately US \$1.8-\$2.5 million, depending on country size and currency exchange rate. The funds would be secured up-front through written pledges prior to Endeavor accepting a new Country Affiliate. Over the longer term, however, Endeavor hoped to raise more permanent funding through a local endowment fund - upon selection into Endeavor’s network, entrepreneurs would be asked to donate 2% of non-dilutable founders’

equity into the country endowment fund.⁸ Thus, after the first four years of operations, each Country Affiliate was expected to be on the path to self-sustainability.

In terms of helping to fund Endeavor Global's headquarters operations, each Country Affiliate would be required to pay Endeavor Global a management fee of up to 25% of the total initial amount raised through the Country Benefactors. This management fee allocation, paid over the first four years of operations, covered start-up, launch, training, and ongoing services provided to the Country Affiliate (this amount was included in the \$1.8-\$2.5 million budget raised through the Country Benefactors). After the initial four-year Country Benefactor term ended, Affiliates would be required only to pay an annual \$15,000 network membership fee.

As part of the model, Endeavor selected a Managing Director for each new country affiliate. At the same time, Endeavor developed a franchise-like agreement laying out the roles and responsibilities of the local country affiliates as well as for Endeavor Global. (See **Exhibit 6** for articulation of these roles and responsibilities.)

Rottenberg explained Endeavor's decision to select the Country Benefactor funding model:

Our major goal was to remain aligned with the entrepreneurs' interests. People said we were crazy not to start a fund or a for-profit business. But either option would have undermined our neutral and trustworthy role in the local economy. Furthermore, if we had started a fund, we feared we might deter highly skilled business leaders from volunteering their time and energy to our organization – since they might then view Endeavor as “competition” to their own investment funds or as having a conflict of interest. Moreover, all the evidence we had seen so far suggested that raising local funding really got the local business people committed. Finally, there were other reasons not to start a fund – there are very few exit options in Latin America since only a limited number of trade sales and IPOs occur every year. In sum, the Country Benefactor model was a strong fundraising platform that didn't compromise our neutrality or operating model.

Implementing the New Funding Model

Following the May, 1999 meeting, the Global Advisory Board challenged Rottenberg to implement the new funding model in Brazil—a much larger country than either Chile or Argentina. By December 1999, Endeavor Global had succeeded in securing \$1.8 million in commitments to fund Endeavor Brazil, including \$350,000 of funding that could be used to support Endeavor Global.

In the case of Brazil, Endeavor was able to convince Carlos Sicupira, a successful entrepreneur, to provide all the required funding for the operation, and then succeeded in attracting Marilia Rocca as Managing Director. (See **Exhibit 5b** for bio). Endeavor Brazil was formally launched in June, 2000. And, Endeavor Brazil was committed to asking Endeavor Entrepreneurs for 2% of founders' equity or – in the case of more established ventures – 5% of the amount raised in any round Endeavor helped facilitate (i.e., if a company raised \$2 million, Endeavor would get 5% or \$100,000 worth of equity – at the price established in that round).

As the country benefactor model gathered steam, Endeavor attempted to apply this model to Chile and Argentina. Yet, in Chile, Endeavor was still having trouble raising local funds. Rottenberg explained:

⁸ i.e., the equity would not be diluted by subsequent rounds of financing, requiring the issuance of additional shares to Endeavor in subsequent rounds.

Finally, in May 2001, I decided we should pull out of Chile because we weren't making enough progress. At that point, the IDB and the Chilean government said, "Wait a minute! You can't leave!" They offered us \$850,000 to finance the model. We turned down the money. We had nothing against government funding, but felt we couldn't lead with it. We still believed that government involvement must follow private sector involvement. Every newspaper reported how a "crazy woman" turned down funding from a government largely devoid of corruption. At that point, it wasn't clear how to proceed in Chile.

But, after we turned down this government money, the phone started ringing off the hook – members of the Chilean private sector were calling. Using the Country Benefactor model to guide the negotiations, the local office raised \$1.5 million by early 2002. We also created a board comprised of 12 leaders from the Chilean private sector. Recently, the Chilean President called us to express his interest in speaking at an Endeavor workshop. In sum, the Country Benefactor model helped us turn Endeavor Chile into a success story.

In contrast, Endeavor Argentina didn't have any trouble raising local operating funds, but wanted entrepreneurs to contribute cash, not equity (as there was almost no liquidity in the market). The Argentina office approached existing Endeavor Entrepreneurs and asked for cash contributions for a local endowment fund. Rottenberg explained:

We launched our first Country Endowment in Argentina based on a matching system – local board members and businesspeople matched every donation from an entrepreneur. A local entrepreneur pledged \$1 million to the local endowment – pending the sale of some of his assets – and a board member offered to match this pledge, on a cash basis, upon liquidation. While this was all great, it did highlight a continuing issue. Going back to successful entrepreneurs and asking them for cash contributions – as Endeavor "alumni" – put us in a precarious situation. We remained hopeful that getting the 2% equity pledge up front (i.e., the Brazilian model) would allow us to remain more in control of our destiny. But if we could not apply this system in Argentina – where "the ship had already sailed" – then we would be certain to condition any future expansion to new countries upon adoption of the Brazilian model.

Further Expansion

In July of 2000, Francisco Ravecca (see **Exhibit 5a** for Bio), who had been helping with Endeavor's Argentina Affiliate, expressed an interest in bringing Endeavor to Uruguay. He developed backing for the idea within the Uruguayan government, including the president of the country. He succeeded in raising \$350,000 in financing under the Country Benefactor model. Based upon this commitment, Rottenberg was now comfortable going back to the IDB, and accepted \$1.8 million in backing from them, to be used in Chile, Uruguay and Argentina. And, in March 2001, the first entrepreneur selection panel was run in Uruguay.

Finally, in 2001, several of the leading industrialists from Mexico approached Endeavor with the request that they open a Country Affiliate there. After being convinced that the support was real, Endeavor agreed to establish operations there and by June 2002 succeeded in raising \$2.5 million from some of the key Mexican business leaders to finance the first four years of local operations. The Board hired Cesar Perez Barnes as that country's managing director (See **Exhibit 5a** for bio).

Thus, by mid 2002, every Endeavor country affiliate had adopted the Country Benefactor funding model. While not every office had amassed a large local endowment, several Country Affiliates were closer to the goal of self-sustainability.

Snapshot: Brazil

As an example of the full range of activities undertaken by both Endeavor Global and a local Country Affiliate, consider Endeavor's operation in Brazil during 2001 and early 2002. This local affiliate began its activities in mid-2000, and by mid-2002, had:

- Recruited a staff of six employees;
- Screened 1,811 companies and selected 30 Endeavor entrepreneurs from 17 companies in 8 industries;
- Fielded a "Venture Corps" of approximately 111 CEOs and senior advisors who helped mentor Endeavor's 30 entrepreneurs;
- Hosted 125 educational events attracting 10,330 attendees;
- Generated 462 press articles and 21 TV programs that featured Endeavor entrepreneurs; and,
- Matched 44 U.S. MBAs with Endeavor companies for internships.

During 2001, Endeavor's 17 Brazilian companies generated \$56 million in revenues, employed nearly 3,330 people, and had raised a total of \$33 million in venture capital financing.

The Brazilian affiliate had also made great strides in developing educational content accessible to all of Brazil's entrepreneurs. Endeavor had licensed materials from several sources, including Harvard Business School, which it made available to all. It transcribed the weekly workshops it hosted, and made these available via the web.

Meanwhile, Endeavor Global supported the Brazilian office via initial training on Endeavor's proprietary programs; ongoing eMBA recruitment; final round interviews of Endeavor Entrepreneur candidates; consulting, editing, and coordination of entrepreneur profile documentation for Endeavor's semi-annual international selection panels; coordination and management of Endeavor's semi-annual international selection panels; global entrepreneur services programs; international networking; professional impact assessment; and sharing of best practices among the Endeavor Affiliate network.

Moving Forward

By May of 2002, Endeavor had evolved into a well-functioning team with a model for promoting entrepreneurship that could be rolled out in new countries. They could point to 6,000 jobs, \$400 million in revenues, and a wide variety of other data that supported the impact Endeavor was having in Latin America. (See **Exhibit 7** for Endeavor's financial statements and **Exhibit 8a** for an overview of Endeavor's accomplishments.) They believed they had learned what worked and what didn't.

Scores of individual ventures had received help from Endeavor (see **Exhibit 8b** for a representative list of entrepreneurs), and it was clear that the entrepreneurs were prepared to re-invest in the network. Already entrepreneurs like Wences Casares of Patagon and Andy Freire and Santiago Bilinkis of OfficeNet were playing leadership roles at Endeavor. (See **Exhibit 9** for an assessment of the role played by Endeavor at Sepia, an Argentine cosmetics company.)

Global Expansion

Endeavor's successes in Latin America presented a new challenge for Rottenberg—how to expand the Endeavor model into new regions. The Endeavor model—largely driven by a sustained investment of human capital—was difficult to scale. In general, Endeavor Global maintained a close relationship with each new Country Affiliate during the first four years in order to support their growth and fundraising activities. As such, Endeavor insisted upon carefully selecting the locale for each new Country Affiliate. Rottenberg explained:

We have always believed that Endeavor should be a “pull” rather than a “push” organization. So many non-profits try to push their answers on the local populations because they have the know-how. We have tried to avoid that kind of operating model. We believe that countries should pull us in. So, in selecting new Country Affiliates, we want a group of private sector leaders who have raised \$2 million for local office operations and are willing to join the board. We also want local leaders to demonstrate commitment and passion for the Endeavor model.

So far, groups in India, Turkey, Colombia, Venezuela, Spain, South Africa, Egypt, Jordan, and Bulgaria have attempted to pull us in. They have told us they want to build a thriving venture community “The Endeavor Way.” Suddenly, it's like we're entertaining Requests for Proposals. Their enthusiasm has created a new problem—how should we decide between interested countries? And how should we select our next region?

Different places are appealing for different reasons. (See **Exhibit 10a** for World Bank data on various countries, and **Exhibit 10b** for results of international entrepreneurship survey.) With Spain, the prospect of having a language in common with our Latin American organization is appealing. With Africa, the World Bank seems to be getting very interested in supporting our work there, and we do believe we could have a tremendous impact. In India, there is a tremendous base of entrepreneurial activity—and talent—to build upon. Turkey also has a thriving entrepreneurial sector and we have immense support from members of Turkey's private sector.

Turkey also represented a chance to have a positive impact on a country with a large Muslim population. Kellner explained:

After the September 11th 2001 terrorist attacks occurred, a lot of attention has been focused on the Muslim world. So far, the public has heard the government and the media call attention to a “good vs. evil” and “us vs. them” strategy. Endeavor has a unique opportunity to collaborate with a Muslim nation such as Turkey—to create a positive dialogue between Muslims and Americans. While Turkey meets all of Endeavor's selection criteria, it also represents a chance to have a strong social and political impact on the country. While Endeavor is not driven by politics, it is an important secondary consideration. You can't have work in international development without recognizing the political ramifications of your efforts. (See **Exhibit 10b** for data on entrepreneurial activity by country.)

Raising a Global Endowment Fund

Of course, growth came at a cost. While the Country Benefactor model was a means of ensuring funding for each local affiliate, it was only partially successful in providing the funding for Endeavor Global’s headquarters operations. In May 2002, Endeavor Global had a cash balance of \$182,000 and an additional \$700,000 in pledges, connected with the organization’s fundraising “gala” held in November each year. Still, the expense level for the headquarters operation was \$1.6 to \$1.7 million annually. (See **Exhibit 7** for Endeavor’s historical financial statements.) Moreover, Rottenberg estimated that at least \$250,000 per year was required to finance Endeavor Global’s initial investment and management of each new Country Affiliate on an ongoing basis. (See **Table A**, below)

Table A Unit Level Incremental Country Expansion Expense Summary

Average Incremental Costs per Year to Support a New Country:	
	\$ Per Year
Search & Selection Support	\$40,307
Educational Programs Support	53,720
Entrepreneur Services Support	60,639
Marketing/Education/Training Support	24,237
Information Technology Systems / Training Support	43,270
Management Support / Financial Controls	5,500
	\$247,673

Source: Company.

In previous years, Endeavor Global had raised most of its revenues from the annual Endeavor gala event—an amount that was expected to approach \$600,000 (net to Endeavor) in 2002. Still, Rottenberg felt that Endeavor Global needed to secure stable sources of revenue. After adopting the new local funding model, the Global budget was no longer used to fund local country operations. However, the new funding model also hurt Global’s fundraising capabilities because very few philanthropists or foundations from Endeavor’s host countries wanted to fund overhead expenses for the New York headquarters. Rottenberg explained:

The irony is that we have created a virtuous circle of philanthropy in Latin America—a continent that lacked a culture of philanthropy. By insisting that entrepreneurs give back to their local organizations, we have enlarged the philanthropic pie. Yet, it is hard to raise money in New York for an international effort. While our Global board has been fabulous, they don’t have the personal wealth to support us at this level. And, in general, most philanthropists won’t fund our Global headquarters for a couple of reasons. First, only 1% of the US philanthropy goes to international organizations—even if the non-profit is based in the U.S. Therefore, as a global, economic development-focused non-profit we only have access to 1% of total U.S. philanthropic dollars (over \$200 billion in 2000). Second, we’ve been turned down by major U.S.-based foundations because we’re not helping the “poorest of the poor.” Foundations don’t fund organizations that help the middle tiers of society—even if we are creating downstream jobs for women or poor people. Third, it is relatively easy to get seed capital to start a new non-profit, but mezzanine and public financing are scarce. Nobody is

interested in taking a successful organization to scale: we learned that the philanthropic sector lacks a tradition of funding growth—rather than proof of concept—to help non-profits scale.

In early 2002, Endeavor Global developed a base case financial scenario which limited its growth to that which could be funded from its existing funding model. Based on the assumption that Endeavor would add one new Country Affiliate in 2002 - but no new countries thereafter - the scenario showed that Endeavor Global could breakeven with its existing funding model and fundraising effort. (See **Exhibit 11a** for this financial scenario.) Pinckert and Rottenberg also developed a growth scenario, which assumed Endeavor Global would add one new country every year between 2003 and 2007. This analysis showed that Endeavor Global would incur incremental expenses of nearly \$250,000 in 2003, a sum which grew to \$1.3 million in 2007 as more countries were added. Without additional funding sources, these expenses would drive a \$600,000 annual deficit by 2007.

To fund this growth, Rottenberg and Pinckert decided to attempt to raise a Global endowment fund of \$25 million by 2007—any incremental new country expansion would be conditioned on raising sufficient funding for Endeavor Global to grow from a position of strength. In addition, they contemplated whether Endeavor would need to reconfigure Endeavor Global’s Board to enable this next stage of growth.

* * * * *

Despite having accomplished so much in five years, Rottenberg couldn’t stop worrying about the future of Endeavor. She and Kellner had created a very powerful model but didn’t want to stop there — they wanted to build a self-sustainable, global organization.

Exhibit 1 Founding Board Biographies

Linda Rottenberg is CEO and Co-founder of Endeavor. Selected as one of the 100 “Innovators for the 21st Century” by *Time Magazine*, as one of 100 “Global Leaders for Tomorrow” by the World Economic Forum in 2001, and as one of 40 leading social entrepreneurs by the Schwab Foundation, Linda has spent the past decade promoting entrepreneurship, philanthropy, and economic development in emerging markets. From 1994-96, she directed the Southern Cone expansion of *Ashoka: Innovators for the Public*, a global organization that pioneered the field of “venture philanthropy” by financing high-potential social entrepreneurs in over 30 developing countries. Previously, she designed and launched the first interdisciplinary Masters of Law program in Argentina with the Universidad de Palermo in Buenos Aires and managed the Yale Law School-U.S. A.I.D. Linkage Programs in Latin America. Linda is an active Term Member of the Council on Foreign Relations, a member of the World Economic Forum’s steering committee on the Digital Divide, and a consortium member of a new Global Exchange for Social Investment (GEXSI). Linda received her J.D. from Yale Law School and B.A. magna cum laude in Social Studies from Harvard University.

Peter Kellner is Co-founder of Endeavor. Kellner co-founded Russia’s Ural Petroleum Corporation, whose successor is Khanty Mansiysk Oil Corporation (KMOC); TheScience, a science and technology media company; the Environmental Management and Law Association (EMLA), Hungary’s leading environmental management and law association; and Vectis Group, an investment consortium that restructured Critical Path, Inc. Peter is a Term Member, Council on Foreign Relations; Member of CFR’s National Committee; and North America Council Member, Ashoka, an organization developing social entrepreneurship. Peter graduated from Princeton University, with a degree from the Woodrow Wilson School and attended the Harvard Business School and Yale Law School.

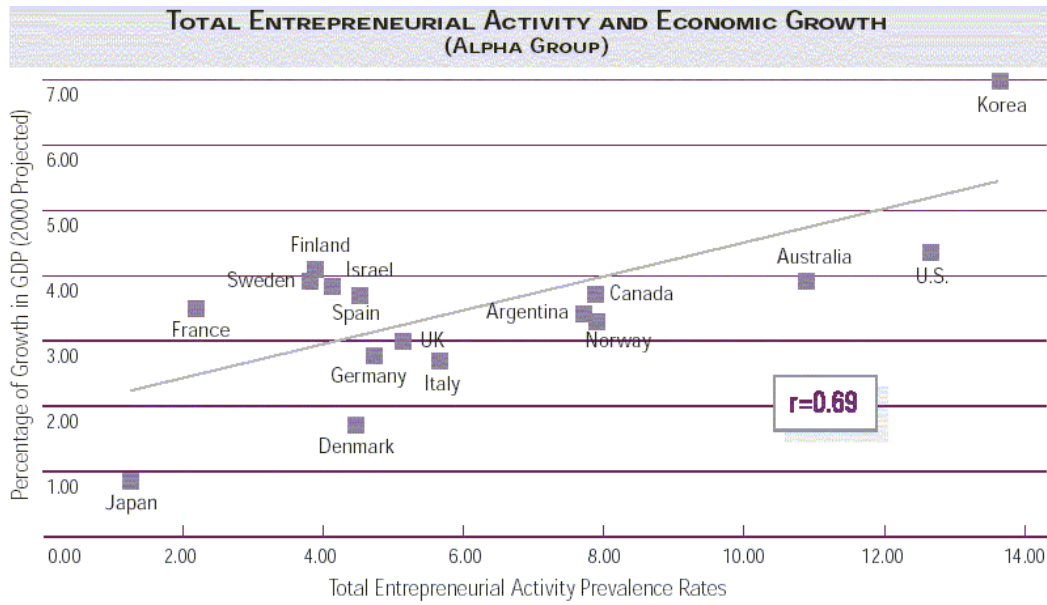
Gary Mueller is Chairman & Chief Executive Officer, ISI, Inc. and Director, Euromoney Institutional Investor. Gary Mueller is Chairman and Chief Executive Officer of Internet Securities Incorporated (ISI), an on-line provider of financial and business information on the emerging markets. Gary founded ISI in 1994 and has led the company ever since. ISI currently has 220 employees in 19 countries and its subscription-based service covers 40 emerging markets, including Turkey, Brazil, Mexico, Russia, China, and India. The company has \$16 million in annual revenues and is profitable. In 1999 Euromoney Institutional Investor, a FTSE 250 company, purchased ISI. Gary serves on the Board of Directors of Endeavor, The Fund for Civil Society in Russia, and Shackleton Schools. Gary is a graduate of Harvard College (1988) and Harvard Business School (1994). Gary was a Fulbright Scholar in Frankfurt, Germany (1988-1990).

Jason Green has been a Partner with U.S. Venture Partners since 1997, a leading Silicon Valley venture capital firm with over \$2.5 Billion under management. He currently serves on the Board of Directors of AvenueA (AVEA), Abilizer Solutions, Megapath Networks, and Nightfire Software, and was responsible for USVP’s investment in Ask Jeeves (ASKJ). Prior to USVP Jason completed a two-year program as a Ewing Marion Kauffman Fellow with Venrock Associates, the venture capital arm of the Rockefeller family. Before joining Venrock, Jason was awarded the Charles Williams Fellowship at Harvard’s Graduate School of Business for post-graduate research in Entrepreneurship and Finance. Jason graduated cum laude with a B.A. in Economics from Dartmouth College and an M.B.A. from Harvard where he graduated with Distinction. Jason is the Chairman of the Kauffman Fellows Program, the leading educational fellowship focused on the venture capital process globally.

Stephan Schmidheiny Born 1947. 1972, Doctor of Law degree from Zurich University, 1976. During the 1980s after successful restructuring of 4th generation family group built up multinational conglomerate of broadly diversified business holdings. 1995 decided to focus business interests on Latin American forestry, building material and pipe business and to build up the AVINA foundation for the promotion of sustainable development in Latin America. 1990, principal business advisor to the secretary general of the UN-conference on Environment and Development, Rio, 1992. Established the Business Council for Sustainable Development (BCSD), published the best-selling book *Changing Course: A Global Business Perspective on Development*. In 2000 has been named Honorary Chairman of the World Business Council for Sustainable Development. Honors include doctorate degrees from Rollins College, Universidad Católica Andres Bello, INCAE and YALE University.

Source: Company.

Exhibit 2a



Source: Andrew L. Zacharakis, William D. Bygrave, and Dean A. Shepherd, "Global Entrepreneurship Monitor - 2000 Executive Report," Kauffman Center for Entrepreneurial Leadership, p. 8.

Exhibit 2b Excerpts from IDB Study

Main Motivations to be an Entrepreneur	% of Firms
For self-realization	90
To improve income (flow)	75
To contribute to society	58
To be your own boss	55
To become wealthy (stock)	30
To become like an entrepreneur you admired in the media	10

Sources for Identifying Business Opportunities	% of Firms
Previous job/ task	78
Discussing with others	74
Trade fair	44
Magazine article	40
Academic Papers	25
Newspaper article	24
Internet	13
TV Radio	8

Where Entrepreneurs Get Financing at the Start-up Stage	% of Firms
Savings of partners	64
Trade credits	44
Buying secondhand equipment	27
Bank loans	24
Relatives/ friends	21
Advances from clients	20
Bank overdraft	18
Public national institutions	14
Postponement of tax payments	13
Business angels	6
Local governments	2
Venture capital	2

Main Problems in the First Three Years	% of Firms
To get clients	74.5
To hire skilled workers	74
To finance and manage cash flow	74
To hire managers	35
To adapt products to the client	52
To get suitable suppliers	58
To have suitable equipment	58.5

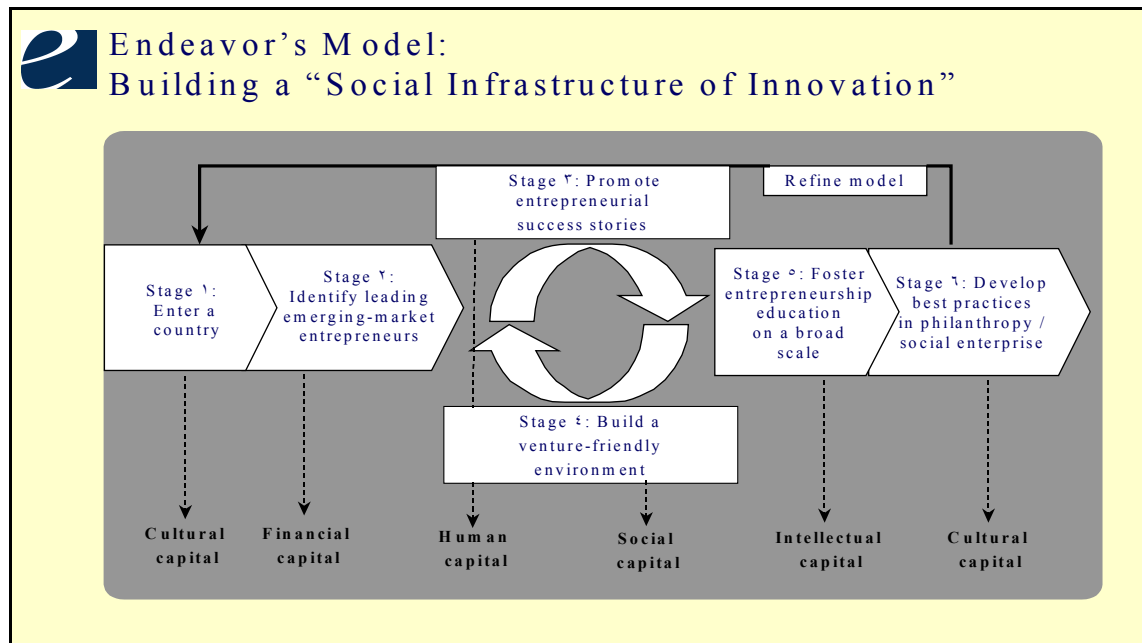
Source: Adapted from "Entrepreneurship in Emerging Economies: The Creation and Growth of New Firms in Latin America and East Asia," Inter-American Development Bank, <<http://www.iadb.org/sds/sme>> (accessed December 13, 2002).

Exhibit 3 Endeavor Selection Criteria

ENDEAVOR EVALUATION CRITERIA	
1. Entrepreneurial Initiative	Candidates must possess the energy, passion, drive, and persistence to grow their businesses into successful companies. Candidates should have a track record of entrepreneurship and demonstrated execution abilities needed to mobilize the resources necessary to grow the business
2. Innovation and Creativity	Candidates should be change-makers with the ability to adapt to shifting and uncertain circumstances. Candidates should be building businesses with innovative products and services that establish new paradigms or transform industries within their countries or regions.
3. Role Model Potential	Candidates should have the potential to become dominant players in their markets or niches. In addition, candidates must demonstrate commitment to mentoring and knowledge sharing. Candidates also should possess the strong personal presence and leadership qualities to inspire others.
4. Development Impact	Candidates’ businesses must have high growth potential within the countries or regions and should be likely to create substantial economic value through job creation, increased revenues, large-scale change, or, in relevant cases, IPO or other financial exit. Typically, Endeavor looks at entrepreneurs with companies in the range of U.S. \$1MM-\$15MM in sales at point of selection. With any “concept company,” the business must show a clear revenue model for the future, but this will be the exception rather than the rule.
5. Ethical Fiber	Candidates must inspire instinctive trust. Reference checks must confirm the candidates’ unquestionable integrity and respect for rule of law.
6. Mutual Value-Added	Endeavor must see a clear opportunity to increase candidates’ chances for success through targeted advice on strategy, organization, or resource development. Candidates must be willing to listen, learn, and accept support from Endeavor. Candidates also must demonstrate a willingness to contribute to the sustainability of the local Endeavor entity through personal donations of time and equity/cash.

Source: Company.

Exhibit 4 Endeavor Operating Model



The Endeavor model was built upon two core values: local ownership and global accountability. As such, the Endeavor operating model was designed to build sustainable local organizations within four years of entering a country.

Stage 1 Prior to launching a new country office, Endeavor recruited prominent members of the local business community to form a board and to help raise funds. The local board, in turn, selected a qualified Managing Director to lead the day-to-day operations under its supervision. Endeavor Global then trained the local management and licensed its proprietary methodology to the new Country Affiliate.

Stage 2 Endeavor engaged in a rigorous, multi-step 'Search & Selection' process to find the most promising entrepreneurs in each country. Each year, a group of Endeavor staff and volunteers reviewed hundreds of business plans submitted by entrepreneurs. The best candidates—entrepreneurs with the ability to take risks, create jobs, spread wealth, and inspire others with their passion—were selected as finalists. Then, an international jury selected several finalists per country. An international jury ensured that Endeavor entrepreneurs met the same high standards across the globe.

Stage 3 Endeavor then deployed its professional network of seasoned business experts and MBAs to deliver targeted, demand-driven services to the selected entrepreneurs. Endeavor helped entrepreneurs sharpen their professional skills, develop their business strategies, locate strategic partners and raise capital. In this stage, Endeavor also used its entrepreneurs' success stories to inspire future entrepreneurs.

Stage 4 By leveraging its network of business professionals, angel investors, venture capitalists, and educators, Endeavor built a venture-friendly community. As a 'neutral intermediary,' Endeavor facilitated communication between entrepreneurs and investors. For example, Endeavor organized a conference in Argentina—attended by over 1,400 members of the local business community—in order to create a dialogue about entrepreneurship.

Stage 5 Endeavor collaborated closely with local universities to host public conferences and develop entrepreneurship curricula.

Stage 6 Finally, Endeavor encouraged its entrepreneurs to focus on their roles and community leaders, exposing them to best practices and hands-on training in philanthropy.

Source: Company.

Exhibit 5a Management Biographies**Headquarters Management Team (in addition to Rottenberg)**

Robin Pinckert is Endeavor Global's Chief Operating Officer and Chief Financial Officer. Prior to joining Endeavor she served as Director of Strategic and Financial Planning for the Medical Affairs Department of Oxford Health Plans, where she worked with the Chief Medical Officer to help design and implement Oxford's financial and operational turnaround plan. Prior to this, she was responsible for Medical Management operations in Oxford's largest membership region. Previously, she worked in early stage venture capital at Fidelity Capital, in a turnaround at RAX Restaurants, and in investment banking at Alex. Brown & Sons. She holds an M.B.A. from Harvard Business School, a B.A. with distinction in History and Economics from University of North Carolina, and is a member of Phi Beta Kappa.

Blair Pillsbury is Endeavor Global's Vice President of Educational Programs. Most recently, Blair served as a senior associate at the Council of the Americas. Prior to this, Blair worked for two years in Latin American Loan Syndication and Credit Research at JP Morgan & Co. From 1993-1995, she worked for Equipo Pueblo, a non-profit development organization based in Mexico City. Blair has a Masters in Public Affairs from the Woodrow Wilson School at Princeton University and a B.A. from Yale University.

Country Affiliate Managing Directors

Patricio Campiani is Managing Director of Endeavor Argentina. Prior to joining Endeavor, Patricio co-founded and served as CEO of Advertium.com, a browser-based e-commerce solution for the buying and selling of media in Latin America. Prior to founding Advertium, Patricio co-founded and served as VP of Operations and Marketing for U.S.-based Argentine Natural Beef LLC. He also served as CEO of Brickell Key Foods, Corp., a thermo-processed beef trading operation based in Miami, Florida. Prior to that, he worked as senior manager for Citibank Argentina. Patricio holds a Bachelor of Science in Industrial Engineering from Argentina's Catholic University and was selected Endeavor Entrepreneur in spring of 2000.

Gonzalo Miranda is Managing Director of Endeavor Chile, based in Santiago. Prior to joining Endeavor, Gonzalo founded Aflora, a well recognized gift retailing brand in Chile. Prior to this entrepreneurial venture, Gonzalo served as VP of Business Development at Canal 13 Television, the leading broadcasting corporation in Chile. From that position he developed Señal Internet, the first multicasting service that brought news and entertainment to the Chilean audience through a mix of TV, Cable and Internet services. Gonzalo also co-founded in 1998 The Pet Network and worked for three years as real estate and financial consultant for the Abalos Group, a major Real Estate Holding company based in Chile. Gonzalo holds an MBA from the Haas School of Business at University of California, Berkeley, and a Masters and Bachelor of Science in Mechanical Engineering, both from Pontificia Universidad Catolica de Chile.

Cesar Perez Barnes is Managing Director of Endeavor Mexico, based in D.F. Prior to joining Endeavor, Mr. Perez Barnes was Director of Investments at Netjuice Capital. From 1997 to 1999, Mr. Perez Barnes worked for McKinsey & Company. Cesar Perez Barnes holds a Master of Business Administration from the MIT Sloan School of Management MBA, and an M.S. in the Technology and Policy Program (TPP) from the MIT School of Engineering.

Francisco Ravecca is Managing Director of Endeavor Uruguay. Prior to joining Endeavor, Francisco founded Ravecca, Solari & Associates in 1999, a professional services firm that supports entrepreneurs. In 1999 he launched DeRemate.com in Uruguay, holding the position of Managing Director. Between 1997 and 1999 he worked for BankBoston Argentina as an Assistant Manager in the Specialized Industries Division. Previously, he worked for Advent International at the company's headquarters in Boston, Massachusetts, performing due-diligence and deal sourcing for Private Equity deals both in the U.S. and Latin America. Francisco holds a Juris Doctor Degree from the University of Uruguay and an M.B.A. from Harvard Business School.

Marilia Artimonte Rocca is Managing Director for Endeavor Brazil. Previously Expansion Coordinator at Wal-Mart Brazil, she devised and implemented plans for the Buying, Operations and Finance divisions during four new store openings. Earlier, as Director of Food-Co, she opened/operated the Food Division of a super center. She holds a BA in Business from Fundacao Getulio Vargas College and MBA from Columbia Business School.

Source: Company.

Exhibit 5b Endeavor Directors and Global Advisory Board Members, May 2002**ENDEAVOR GLOBAL BOARD OF DIRECTORS**

Linda Rottenberg, Endeavor, Co-founder, Chairman & CEO
 Peter Kellner, Vectis Group LLC, President; Endeavor, Co-founder
 Wences Casares, Patagon.com, Chairman & CEO; Endeavor Entrepreneur
 Ric Fulop, Into Networks, Founder; CFR Systems, Founder
 Jason Green, US Venture Partners, General Partner
 Gary Mueller, Internet Securities, Inc., President & CEO
 Stephan Schmidheiny, AVINA & Business Council for Sustainable Development, Founder

ENDEAVOR ARGENTINA BOARD OF DIRECTORS

Eduardo Elsztain, IRSA, Chairman; Endeavor Argentina, President
 Santiago Bilinkis, Officenet, Co-Founder and CFO
 Lisandro Bril, KORNFERRY, Senior Vice-President
 Wences Casares, Patagon, Chairman & CEO
 Francisco de Narvaez, Fundación Creer y Crecer, Director
 Maria Eugenia Estenssoro, Fundación Social Equidad, Managing Director
 Linda Rottenberg, Endeavor Global, Inc., Co-founder, Chairman & CEO
 Woods Staton, McDonald's Argentina, President
 Oscar Toppelberg, Dolphin Interventures, President & CEO
 Martin Varsavsky, Jazztel Comunicaciones, Founder & President

ENDEAVOR BRAZIL BOARD OF DIRECTORS

Carlos Alberto Sicupira, GP Investimentos, Partner; Endeavor Brazil, President
 Paulo Cezar Aragão, Barbosa, Müssnich & Aragão, Partner; Fundação Estudar, Chairman
 Peter Graber, Graber Sistemas de Segurança, Founder & CEO
 André Jakurski, JGP S.A, Executive Director & Founding Partner
 Jorge Paulo Lemann, GP Investimentos, Partner
 Linda Rottenberg, Endeavor Global, Inc., Co-founder, Chairman & CEO
 Pedro Moreira Salles, Unibanco, Chairman

ENDEAVOR CHILE BOARD OF DIRECTORS

Alvaro Saieh B., Corp Group, Chairman; Endeavor Chile, President
 Kathleen C. Barclay, Inversiones KCB Ltda, CEO
 Carlos F. Cáceres, Chiletabacos, S.A., Chairman
 Juan Claro G, Chairman, Emel
 José Luis del Río G., Empresas Dersa, Chairman
 Alfonso Gómez M., Virtualia, Chairman; Endeavor Entrepreneur
 Cristian Larroulet V., Director, Instituto Libertad y Desarrollo
 Juan Obach G., Inversiones Pathfinder, Chairman
 Linda Rottenberg, Endeavor Global, Inc., Co-founder, Chairman & CEO
 Salvador Said, Grupo Said, CEO

Source: Company.

Exhibit 5b (continued) Endeavor Country Affiliate Directors

ENDEAVOR MEXICO BOARD OF DIRECTORS

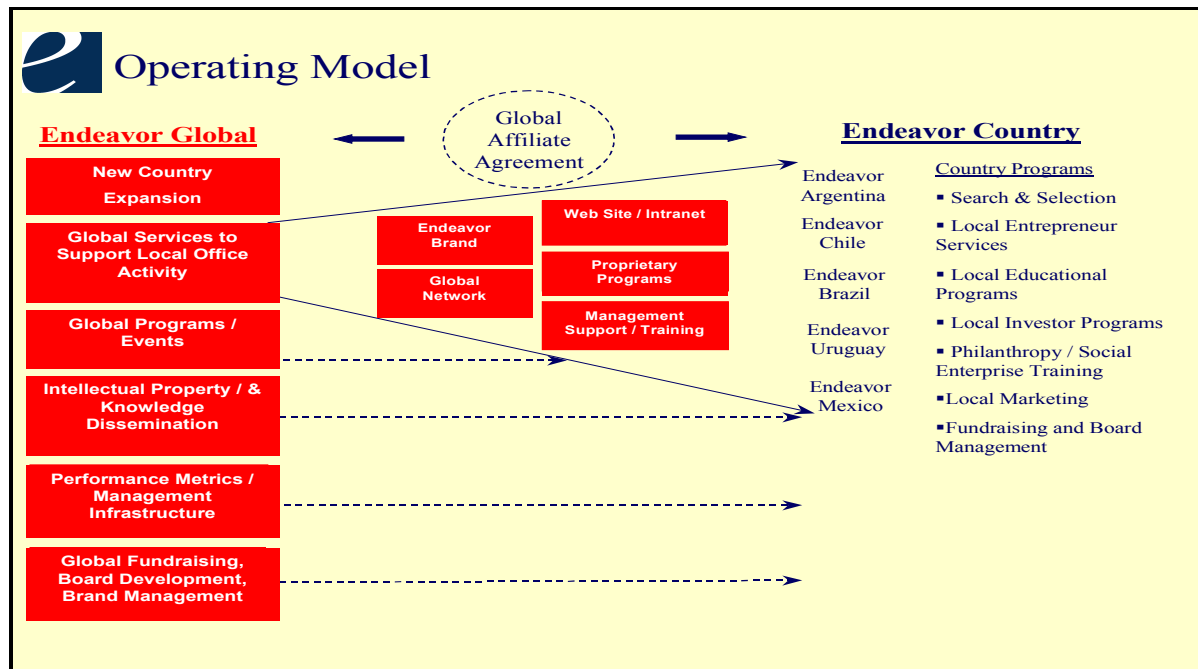
Pedro Aspe, Protego Administradores S.A., Chairman & CEO; Endeavor Mexico, President
 Emilio Azcárraga, Televisa S.A. de C.V., Chairman & CEO
 Elías Cababie, GICSA, Chairman
 Carlos Fernández, Grupo Modelo, CEO & Vice Chairman
 Guillermo González, Protoma S.A. de C.V.
 Linda Rottenberg, Endeavor Global, Inc., Co-founder, Chairman & CEO
 Alexis Rovzar, White & Case, S.C., Executive Partner
 Carlos Sales, Protego Administradores S.A., Director
 Juan Pablo San Agustin, CX Ventures, CEO
 Mauricio Santillán, Microsoft, Vice President, Intercontinental Region Microsoft Corporation
 Marco Antonio Slim, Grupo Financiero Inbursa, Chairman
 Lorenzo Zambrano, Cemex S.A. de C.V., Chairman & CEO

ENDEAVOR URUGUAY BOARD OF DIRECTORS

Alberto Brause Berreta, Partner, Jiménez de Aréchaga, Viana & Brause; Senator of the Republic
 Leonardo Costa Franco, Under-Secretary of the Presidency of Uruguay
 Michael Chu, Pegasus Venture Capital, Managing Director & Founding Partner
 Francisco M. Ravecca Arana, Ravecca, Solari & Asociados, Senior Partner
 Linda Rottenberg, Endeavor Global, Inc., Co-founder, Chairman & CEO

Source: Company.

Exhibit 6 Role of Endeavor Global and Country Affiliates



Endeavor operated a decentralized, hub-and-spoke system comprised of a Global Headquarters in New York City that coordinated the overall system and local offices responsible for managing the day-to-day operations of each Country Affiliate (e.g., Endeavor Argentina). The goal of the Endeavor organization was to encourage local innovation without sacrificing global standards.

In 2001, Endeavor Global drafted a “Global Affiliate Agreement” to govern the formal relationship between Endeavor Global and each Country Affiliate. This agreement laid out the rights and responsibilities of both parties, much like a franchise agreement. It also provided general guidelines for safeguarding the global Endeavor brand and intellectual property while ensuring that day-to-day operations were under the purview of local management and boards.

Endeavor Global

New Country Expansion Endeavor Global played a leading role in researching new region expansion opportunities, identifying local country Board members and funders, recruiting the local Managing Director, developing initial VentureCorps^a teams, and supplying communication tools and training to local staff and Board.

Servicing Endeavor Countries Endeavor Global performed final reviews, identified global panelists for regional selection panels, organized entrepreneur workshops and road shows, recruited MBAs from top business schools to work with Endeavor Entrepreneurs, and managed the global MIS system.

Global Programs and Events Endeavor Global coordinated global programs including the semi-annual international Selection Panels, Speaker Series, leadership conferences, and roundtable

forums. In addition, Endeavor Global also hosted an annual Gala Awards Dinner highlighting the accomplishments of Endeavor venture philanthropists and entrepreneurs.

Intellectual Property and Knowledge Dissemination Endeavor Global transferred best practices and program innovations to the global network through research, publications, and the Endeavor website.

Non-Profit Management and Performance Measurement Endeavor Global created performance metrics and an IT infrastructure to measure Endeavor’s “Social Return on Investment” (SROI) and produced “ROI” (“Return on Involvement”) reports for Corporate Partners. Endeavor Global also produced educational videos and CD-ROM training tools.

Global Fundraising, Board Development, and Brand Management Endeavor Global played a strong role managing all global fundraising initiatives (including local country fundraising). The parent organization was also responsible for managing the Global Board of Directors, the Global Advisory Board, and the Global Policy Committee. Finally Endeavor Global was responsible for enforcing the Global Affiliate Agreements.

Endeavor Country Affiliates

Endeavor Country Affiliates were established as legally independent, non-profit entities with their own board and local responsibilities including:

Search & Selection Responsibilities included identifying and screening entrepreneur nominees, interfacing with local Nominator networks and hosting semi-annual regional Selection Panels.

Local Entrepreneur Services Each Country Affiliate managed a local VentureCorps network, hosted peer networking workshops, and organized local road shows.

Local Educational Programs Country Affiliates also established partnerships with local universities to introduce entrepreneurship case studies to the curricula. In addition, local offices hosted public conferences, speaker series, developed and maintained local websites.

Philanthropy and Social Enterprise Training Country Affiliates also hosted roundtable discussions to introduce social responsibility and philanthropy to the local community. Local offices also linked Endeavor entrepreneurs with Ashoka Fellows and AVINA leaders from the non-profit sector.

Local Marketing Local offices also helped build brand awareness by highlighting Endeavor Entrepreneur contributions to community improvement and by disseminating Endeavor information through local networks.

Source: Company.

^aVentureCorps refers to a collection of individuals who volunteer time and resources to help Endeavor Entrepreneurs.

Exhibit 7 Endeavor Global Historical Financial Statements (1997–2001)^a

INCOME STATEMENT	1997	1998	1999	2000	2001
Revenue					
Entrepreneur fees		30,024	61,945	165,964	38,967
Country Benefactor Grants			117,000	107,486	271,368
Contributions & Donations	360,561	313,800	547,900	1,532,886	971,909
Grants	-	299,965	275,425	542,588	394,808
Interest and other income	1,404	1,799	6,574	(40,487)	(143,506)
In-kind donations	-	33,509	30,484	940,722	290,468
Total income	361,965	679,097	1,039,328	3,249,159	1,824,014
Expenses					
Search & Selection	46,200	105,337	74,259	106,225	96,411
eMBA	31,046	122,576	148,894	319,675	241,327
Entrepreneur Services	-	58,539	66,425	555,702	405,121
Venture Forum	-	89,145	72,242	163,066	103,096
Endeavor Net	43,651	95,413	108,245	383,732	160,845
Philanthropy & Social Enterprise				235,009	241,387
New Country Expansion	46,200	103,975	182,441	367,842	608,454
Total program expenses	167,098	574,985	652,506	2,131,251	1,856,641
Management and general	27,124	65,402	95,591	71,042	76,481
Fundraising and development	39,227	80,495	159,636	246,961	241,462
Total expenses	233,448	720,882	907,733	2,449,254	2,174,584
Net Income	128,517	(41,785)	131,595	799,905	(350,570)
BALANCE SHEET					
	1997	1998	1999	2000	2001
Assets					
Cash and cash equivalents	105,553	58,368	185,108	390,569	154,196
Contributions receivable				155,175	254,503
Investments, at fair value	0	0	0	155,803	1,100
Prepaid expenses	6,770	5,109	7,014	8,617	21,155
Fixed assets, net	46,035	46,335	36,011	359,366	310,575
TOTAL ASSETS	158,358	109,812	228,133	1,069,530	741,529
Liabilities and Net Assets					
Accounts payable, other accrued	0	7,738	8,283	34,831	61,432
Capital lease obligations	29,841	15,342	1,523	16,467	12,435
Unrestricted (or temp rest.) net assets	128,517	86,732	218,327	1,018,232	657,662
Permanently restricted net assets					10,000
TOTAL LIABILITIES	158,358	109,812	228,133	1,069,530	741,529

Source: Company.

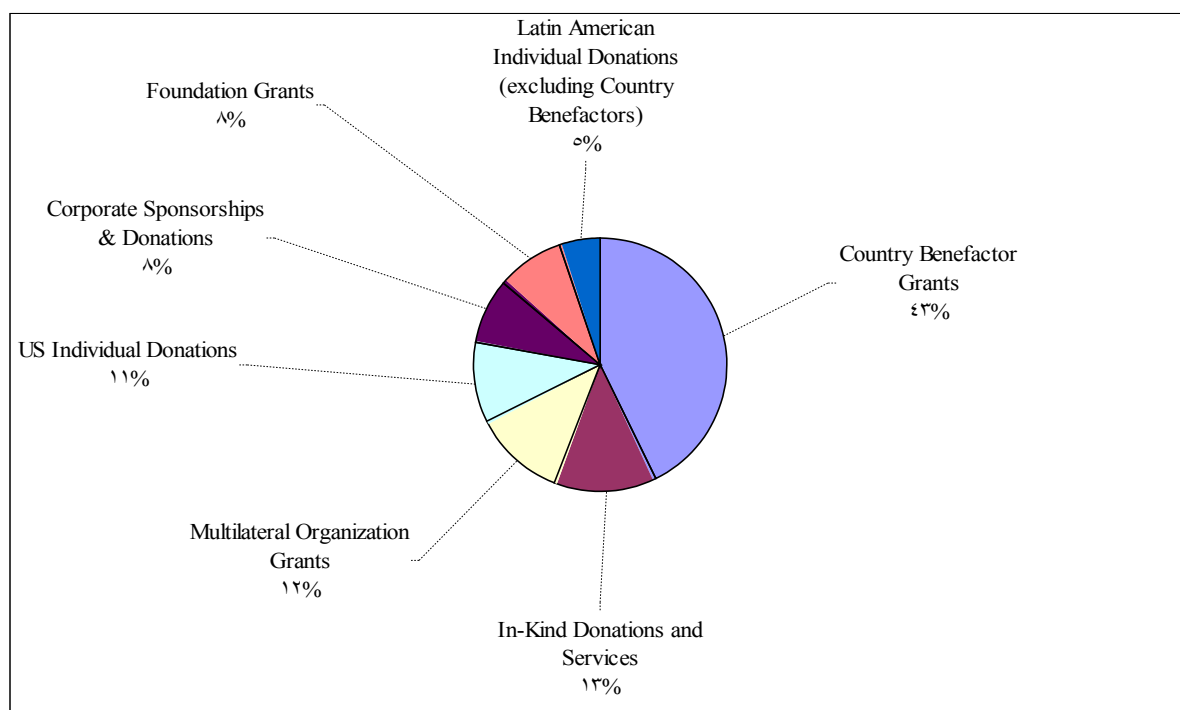
^aThese data are for Endeavor Global (headquarters), which included Chilean operations through 2001. Each country, with the exception of Chile prior to 2001, was operated as a legally independent organization. The headquarters cash operating expenses averaged \$1.6 to \$1.7 million in 2000 and 2001 (excluding Endeavor Chile expenses, in-kind expenses and depreciation).

Exhibit 7 (continued) Endeavor Historical Financial Statements (1997–2001)

1997–2001 Donors^a

1997–2001 CUMULATIVE GLOBAL DONATIONS BY DONOR TYPE

Country Benefactor Grants	\$ 6,957,991
In-Kind Donations and Services	2,043,951
Multilateral Organization Grants	1,874,500
US Individual Donations	1,762,314
Corporate Sponsorships & Donations	1,370,465
Foundation Grants	1,363,050
Latin American Individual Donations (excluding Country Benefactors)	<u>806,949</u>
Total Cumulative Donations	\$16,179,221
% US Sources	41%



Source: Company documents.

^aIncludes cash and in-kind donations received to date, as well as multi-year grants and pledges received by Endeavor Global and Endeavor Countries (Argentina, Brazil, Chile, Mexico, and Uruguay).

Exhibit 8a Endeavor Accomplishments: 1998 to 2001

OBJECTIVE	VALUE	IMPACT
Wealth Creation		
Identify & support leading emerging-market entrepreneurs	6,000 jobs created, an 18% increase over 2000	Financial Capital
	\$300 million capital raised by 21 Endeavor companies	
	\$400 million revenues generated, a 46% increase over 2000	
Role Models		
Promote entrepreneurial role models	100 entrepreneurs from 64 companies selected	Human Capital
	4,750 entrepreneurs from 2,700 companies screened for 8 Endeavor International Selection Panels	
Trust & Networks		
Build a venture-friendly environment	11,100 Professionals, academics and business leaders in the Endeavor Global network	Social Capital
Education		
Foster entrepreneurship education on a broad scale	16,500 Attended Endeavor-sponsored educational events in Argentina, Brazil, Chile, Uruguay and the U.S.	Intellectual Capital
	967 MBAs from Harvard, Wharton, Stanford, MIT, Columbia, screened for eMBA program	
Philanthropy		
Develop best practices in philanthropy & social enterprise	\$9.5mm raised for Endeavor countries	Cultural Capital
	\$6.7mm raised for Endeavor Global	

Source: Company; Endeavor Entrepreneur companies.

Exhibit 8b Selected Endeavor Entrepreneurs by Country**Endeavor Entrepreneurs in ARGENTINA**

Agropool: b-to-b marketplace for agricultural supplies (Axel Grippo & Fernando Gonzales Botana)
 ASATEJ: travel services (Eduardo Biraben)
 BA Clean: institutional hygiene products and services (Gabriel Hornstein)
 Ceicom: airline accounting & management software (Guillermo Marchionni)
 Core: information technology security systems (Jonathan Altzul)
 De la Guarda: alternative theatre group (Diqui James & Pichon Baldinu)
 DPS Automation: automation software (Gian Muraglia)
 Finca Pilar: gourmet agribusiness (Alejandro Belaga and Diego Radicella)
 Lavandas de las Sierras: organic herbs and medicines (Leony Staudt & Bertrand Laxague)
 Metrovision: post-production for film (Guillermo Otero)
 Patagon.com: online financial services (Wences Casares and Constancio Larguia)
 Sepia: cosmetics & beauty consumer products (Fatima Rizzo)
 Service Bureau Intetel (SBI): employee productivity monitoring software and services provider
 (Claudio Lopez Silva)
 Southern Winds: regional airline (Juan Maggio)
 Trosman Churba: fashion goods (Jessica Trosman & Martin Churba)
 Ultracongelados Rosario: frozen bakery products (Miguel Angel Lagrutta)

Endeavor Entrepreneurs in BRAZIL

Automatos/Solvo: information technology and services provider (Agostinho Villela, Andre Fonseca, Marcelo Salim)
 Grudy: Fashionable summer and beach wear (Ana Luiza de Almeida)
 Infnet: information technology education (Andre Antunes, Andre Kischinevsky, Eduardo Ramos)
 MV Sistemas: healthcare technology solutions (Paulo Magnus & Luciano Magnus)
 Nano Endoluminal: biotech research & development (Guido Dellagnelo, Pierre Galvagni Silveira, Ricardo Peres)
 Poit Energia: power generator leasing (Wilson Martins Poit)
 Pollux: machine vision technology (Jose Rizzo Hahn Filho)
 S&V Consultoria: smart-card technology provider (Penido Stahlberg & Fredy Valente)
 Tecsis: wind blade and industrial fan manufacturing (Bento Massahiko Koike)

Endeavor Entrepreneurs in CHILE

Actigen: biotech research & development (Jaime Villanueva) Chocolates Brunatto: fine fresh chocolate
 (Felix Brunatto, Cristobal Camino)
 Geomar: seafood (Javier Donoso)
 Micrologica: logistics information services (Mariano Pola)
 MICSA Enterprises: a vertically integrated real estate firm (Rene and Rodrigo Silva & Jose Izquierdo)
 Prospect: high-tech imaging and security services (Frank & Luis Vera)
 Pub-Licity: restaurant franchise (Gabriel & Ricardo Delano)
 Storbox: document storage (José & Gonzalo Prieto)
 Vertical: outdoor education & leadership for schools and corporations (Rodrigo Jordan)

Endeavor Entrepreneurs in MEXICO

Bbmundo: consumer retail (Martha Debayle)
 Endeavor Entrepreneurs in URUGUAY
 Assist: mobile software solutions (Julio Cantera)
 ISAI: building automation technology (Ruben Rodriguez)
 Memory Computacion: accounting and management software provider (Roni Lieberman)
 Scantech: point-of-sale technology provider (Raul Polakof)

Source: Company.

Exhibit 9 Example of Endeavor Role and Assessment by CEO**SEPIA****Company Summary:**

Sepia is Argentina's trendiest cosmetics brand-- marketed with a "Latin twist" -- that has successfully reached the US shelves of LVMH's top beauty chain Sephora

Initial Needs Assessment:

- Raise Capital
- Professionalize management

Milestones Achieved:

- Closed US\$1MM financing round from group of local Angel Investors
- Hired Chief Operating Officer

Participation in Endeavor Programs/Activities:

- Participated in 5 Monthly Workshops (April - November)
- Matched with Federico Weil, Venture Corps, as mentor (May - February '02)
- Hosted 2 MBAS from Berkeley and NYU/ Stern (June - August)

Give Back:

- Sent items for gift bags for Endeavor Gala 2000
- Participated in lunch with potential corporate Donors
- Mentioned Endeavor in several Sepia articles
- Coached entrepreneurs on panel preparation/ Endeavor experience

Participation in Endeavor Programs/Activities:**Financing**

- Top of the line financial model and projections
- Close accompaniment in every stage of financing process (study of alternative forms of financing, meetings with investors, term sheet drafting and negotiation, and closing of transaction)
- Contacts with Investors (Angels and Institutional; Argentina/ US)

Next Steps:

- Assist entrepreneur in second round of financing

Key Lesson Learned:

- When there is a good relationship between the mentor and the entrepreneur, the value-added can be enormous. It is important to "institutionalize" this relationship as an Endeavor service

"Through Endeavor I met many people that believe in Entrepreneurship, and that are ready to help without asking for anything in return. This help is both very necessary and very rewarding. Generally, the entrepreneur is very lonely and needs assistance, words of wisdom and experience to move forward. It is wonderful that a group of people with such ideals actually exists."

—Fatima Rizzo, CEO, Sepia

"The challenge is to create a structure that allows Fatima and her team to exploit their creativity, while projecting the company internationally. I worked with Fatima to successfully close her first round of financing. The second round finds me on the other side of the table: as investor and no longer as mentor. Notwithstanding, the mutual trust between the founders and me persists thanks to the long trajectory that we have undergone together"

—Federico Weil, Endeavor Venture Corps

Source: Company documents.

Exhibit 10a World Bank Economic Data

Country	Population Millions	Land area 1000 of sq. km	GNI per capita ^a		Real GDP growth Avg. Annual %	Life expectancy Avg. male and female	Adult literacy		GINI Index ^b 0 = equality	% Share of income ^c	
			Dollars	Dollars at PPP			% of women	% of men		Lowest 10%	Highest 10%
Albania	3	27	1,120	3,600	3.3	74	23	8			
Algeria	30	2,382	1,580	5,040	1.9	71	43	24	35	2.8	26.8
Angola	13	1,247	290	1,180	1.3	47					
Argentina	37	2,737	7,460	12,050	4.3	74	3	3			
Armenia	4	28	520	2,580	-1.9	74	2	1	44	2.3	35.2
Australia	19	7,682	20,240	24,970	4.1	79			35	2	25.4
Austria	8	83	25,220	26,330	2.1	78			31	2.5	22.5
Azerbaijan	8	87	600	2,740	-6.3	72			36	2.8	27.8
Bangladesh	131	130	370	1,590	4.8	61	70	48	34	3.9	28.6
Belarus	10	207	2,870	7,550	-1.6	68	1	0	22	5.1	20
Belgium	10	33	24,540	27,470	2	78			29	3.2	23
Benin	6	111	370	980	4.7	53	76	48			
Bolivia	8	1,084	990	2,360	4	63	21	8	45	1.3	32
Botswana	2	567	3,300	7,170	4.7	39	20	25			
Brazil	170	8,457	3,580	7,300	2.9	68	15	15	61	0.7	48
Bulgaria	8	111	1,520	5,560	-2.1	72	2	1	26	4.5	22.8
Burkina Faso	11	274	210	970	4.9	44	86	66	55	2	46.8
Burundi	7	26	110	580	-2.6	42	60	44	43	1.8	32.9
Cambodia	12	177	260	1,440	4.8	54	43	20	40	2.9	33.8
Cameroon	15	465	580	1,590	1.7	50	31	18	48	1.9	36.6
Canada	31	9,221	21,130	27,170	2.9	79			32	2.8	23.8
Cape Verde	0	4	1,330	4,760		69	34	15			
Central African Republic	4	623	280	1,160	2	43	65	40	61	0.7	47.7
Chad	8	1,259	200	870	2.2	48	66	48			
Chile	15	749	4,590	9,100	6.8	76	4	4	57	1.3	45.6
China	1,262	9,327	840	3,920	10.3	70	24	8	40	2.4	30.4
Colombia	42	1,039	2,020	6,060	3	72	8	8	57	1.1	46.1
Comoros	1	2	380	1,590		61	51	37			
Congo, Dem. Rep.	51	2,267	100	680	-5.1	46	50	27			
Congo, Rep.	3	342	570	570	-0.4	51	26	13			
Costa Rica	4	51	3,810	7,980	5.3	77	4	4	46	1.7	34.6
Cote d'Ivoire	16	318	600	1,500	3.5	46	61	46	37	3.1	28.8
Croatia	4	56	4,620	7,960	0.6	73	3	1	29	3.7	23.3
Czech Republic	10	77	5,250	13,780	0.9	75			25	4.3	22.4
Denmark	5	42	32,280	27,250	2.5	76			25	3.6	20.5
Dominican Republic	8	48	2,130	5,710	6	67	16	16	47	2.1	37.9
Ecuador	13	277	1,210	2,910	1.8	70	10	7	44	2.2	33.8
Egypt, Arab Rep.	64	995	1,490	3,670	4.6	67	56	33	29	4.4	25
El Salvador	6	21	2,000	4,410	4.7	70	24	18	52	1.2	39.5
Estonia	1	42	3,580	9,340	-0.5	71			38	3	29.8
Ethiopia	64	1,000	100	660	4.7	42	69	53	40	3	33.7
Fiji	1	18	1,820	4,480		69	9	5			
Finland	5	305	25,130	24,570	2.8	77			26	4.2	21.6
France	59	550	24,090	24,420	1.7	79			33	2.8	25.1
Gabon	1	258	3,190	5,360	2.8	53					
Gambia, The	1	10	340	1,620	3.1	53	71	56	50	1.6	38.2
Georgia	5	70	630	2,680	-1.3	73			37	2.3	27.9
Germany	82	357	25,120	24,920	1.5	77			30	3.3	23.7
Ghana	19	228	340	1,910	4.3	57	37	20	41	2.2	30.1
Greece	11	129	11,960	16,860	2.1	78	4	1	33	3	25.3

Exhibit 10a (continued)

Country	Population Millions	Land area 1000 of sq. km	GNI per capita ^a		Real GDP	Life	Adult literacy		GINI	% Share of income ^c	
			Dollars	Dollars at	growth	expectancy	% of women	% of men	Index ^b	Lowest 10%	Highest 10%
				PPP	Avg. Annual %	Avg. male and female			0 = equality		
Guatemala	11	108	1,680	3,770	4.1	65	39	24	56	1.6	46
Guinea	7	246	450	1,930	4.3	46			40	2.6	32
Guinea-Bissau	1	28	180	710	1.2	45	77	46	56	0.5	42.3
Guyana	1	197	860	3,670		63	2	1	40	2.4	32
Haiti	8	28	510	1,470	-0.6	53	52	48			
Honduras	6	112	860	2,400	3.2	66	25	25	56	0.6	42.7
Hong Kong, China	7	1	25,920	25,590	4	80	10	3	52	1.8	43.5
Hungary	10	92	4,710	11,990	1.5	71	1	1	24	4.1	20.5
India	1,016	2,973	450	2,340	6	63	55	32	38	3.5	33.5
Indonesia	210	1,812	570	2,830	4.2	66	18	8	32	4	26.7
Iran, Islamic Rep.	64	1,622	1,680	5,910	3.5	69	31	17			
Ireland	4	69	22,660	25,520	7.3	76			36	2.5	27.4
Israel	6	21	16,710	19,330	5.1	78	8	3	38	2.4	28.3
Italy	58	294	20,160	23,470	1.6	79	2	1	27	3.5	21.8
Jamaica	3	11	2,610	3,440	0.5	75	9	17	38	2.7	30.3
Japan	127	365	35,620	27,080	1.3	81			25	4.8	21.7
Jordan	5	89	1,710	3,950	5	72	16	5	36	3.3	29.8
Kazakhstan	15	2,700	1,260	5,490	-4.1	65			35	2.7	26.3
Kenya	30	569	350	1,010	2.1	47	24	11	45	2.4	36.1
Korea, Rep.	47	99	8,910	17,300	5.7	73	4	1	32	2.9	24.3
Kuwait	2	18	18,030	18,690	3.2	77	20	16			
Kyrgyz Republic	5	192	270	2,540	-4.1	67			35	3.2	27.2
Lao PDR	5	231	290	1,540	6.5	54	67	36	37	3.2	30.6
Latvia	2	62	2,920	7,070	-3.4	70	0	0	32	2.9	25.9
Lebanon	4	10	4,010	4,550	6	70	20	8			
Lesotho	2	30	580	2,590	4.1	44	6	28	56	0.9	43.4
Lithuania	4	65	2,930	6,980	-3.1	73	1	0	32	3.1	25.6
Macedonia, FYR	2	25	1,820	5,020	-0.8	73					
Madagascar	16	582	250	820	2	55	40	26	38	2.6	28.6
Malawi	10	94	170	600	3.8	39	53	26			
Malaysia	23	329	3,380	8,330	7	73	17	9	49	1.7	38.4
Maldives	0	0	1,960	4,240		68	3	3			
Mali	11	1,220	240	780	3.8	42	66	51	51	1.8	40.4
Mauritania	3	1,025	370	1,630	4.2	52	70	49	37	2.5	28.4
Mauritius	1	2	3,750	9,940	5.3	72	19	12			
Mexico	98	1,909	5,070	8,790	3.1	73	10	7	53	1.3	41.7
Moldova	4	33	400	2,230	-9.7	68	2	0	41	2.2	30.7
Mongolia	2	1,567	390	1,760	1	67	1	1	33	2.9	24.5
Morocco	29	446	1,180	3,450	2.3	67	64	38	40	2.6	30.9
Mozambique	18	784	210	800	6.4	42	71	40	40	2.5	31.7
Namibia	2	823	2,030	6,410	4.1	47	19	17			
Nepal	23	143	240	1,370	4.9	59	76	40	37	3.2	29.8
Netherlands	16	34	24,970	25,850	2.8	78			33	2.8	25.1
New Zealand	4	268	12,990	18,530	3	78					
Nicaragua	5	121	400	2,080	3.5	69	33	34	60	0.7	48.8
Niger	11	1,267	180	740	2.4	46	92	76	51	0.8	35.4
Nigeria	127	911	260	800	2.4	47	44	28	51	1.6	40.8
Norway	4	307	34,530	29,630	3.6	79			26	4.1	21.8
Oman	2	212	5,050		5.9	74	38	20			
Pakistan	138	771	440	1,860	3.7	63	72	43	31	4.1	27.6

Exhibit 10a (continued)

Country	Population Millions	Land area 1000 of sq. km	GNI per capita ^a		Real GDP growth Avg. Annual %	Life expectancy Avg. male and female	Adult literacy		GINI Index ^b 0 = equality	% Share of income ^c	
			Dollars	Dollars at PPP			% of women	% of men		Lowest 10%	Highest 10%
			Panama	3			74	3,260		5,680	4.1
Papua New Guinea	5	453	700	2,180	4	59	43	29	51	1.7	40.5
Paraguay	5	397	1,440	4,450	2.2	70	8	6	58	0.5	43.8
Peru	26	1,280	2,080	4,660	4.7	69	15	5	46	1.6	35.4
Philippines	76	298	1,040	4,220	3.3	69	5	5	46	2.3	36.6
Poland	39	304	4,190	9,000	4.6	73	0	0	32	3.2	24.7
Portugal	10	92	11,120	16,990	2.7	76	10	5	36	3.1	28.4
Romania	22	230	1,670	6,360	-0.7	70	3	1	31	3.2	25
Russian Federation	146	16,889	1,660	8,010	-4.8	65	1	0	49	1.7	38.7
Rwanda	9	25	230	930	-0.2	40	40	26	29	4.2	24.2
Saudi Arabia	21	2,150	7,230	11,390	1.5	73	33	17			
Senegal	10	193	490	1,480	3.6	52	72	53	41	2.6	33.5
Sierra Leone	5	72	130	480	-4.3	39			63	0.5	43.6
Singapore	4	1	24,740	24,910	7.8	78	12	4			
Slovak Republic	5	48	3,700	11,040	2.1	73			19	5.1	18.2
Slovenia	2	20	10,050	17,310	2.7	75	0	0	28	3.9	23
South Africa	43	1,221	3,020	9,160	2	48	15	14	59	1.1	45.9
Spain	39	499	15,080	19,260	2.5	78	3	1	33	2.8	25.2
Sri Lanka	19	65	850	3,460	5.3	73	11	6	34	3.5	28
Sudan	31	2,376	310	1,520	8.1	56	54	31			
Suriname	0	156	1,890	3,480		70					
Swaziland	1	17	1,390	4,600	3.3	46	21	19	61	1	50.2
Sweden	9	412	27,140	23,970	1.9	80			25	3.7	20.1
Switzerland	7	40	38,140	30,450	0.8	80			33	2.6	25.2
Syrian Arab Republic	16	184	940	3,340	5.8	70	40	12			
Tajikistan	6	141	180	1,090	-10.4	69	1	0	35	3.2	25.2
Tanzania	34	884	270	520	2.9	44	33	16	38	2.8	30.1
Thailand	61	511	2,000	6,320	4.2	69	6	3	41	2.8	32.4
Togo	5	54	290	1,410	2.3	49	58	28			
Trinidad and Tobago	1	5	4,930	8,220	3	73	8	4	40	2.1	29.9
Tunisia	10	155	2,100	6,070	4.7	72	39	19	42	2.3	31.8
Turkey	65	770	3,100	7,030	3.7	70	23	7	42	2.3	32.3
Turkmenistan	5	470	750	3,800	-4.8	66			41	2.6	31.7
Uganda	22	197	300	1,210	7	42	43	22	37	3	29.8
Ukraine	50	579	700	3,700	-9.3	68	1	0	29	3.7	23.2
United Arab Emirates	3	84	18,060	19,410	2.9	75	21	25			
United Kingdom	60	241	24,430	23,550	2.5	77			37	2.3	27.7
United States	282	9,159	34,100	34,100	3.5	77			41	1.8	30.5
Uruguay	3	175	6,000	8,880	3.4	74	2	3	42	2.1	32.7
Uzbekistan	25	414	360	2,360	-0.5	70	1	0	45	1.2	32.8
Venezuela, RB	24	882	4,310	5,740	1.6	73	8	7	50	0.8	36.5
Vietnam	79	325	390	2,000	7.9	69	9	4	36	3.6	29.9
Yemen, Rep.	18	528	370	770	5.8	56	75	32	33	3	25.9
Zambia	10	743	300	750	0.5	38	29	15	53	1.1	41
Zimbabwe	13	387	460	2,550	2.5	40	15	7	50	2	40.4

Source: Adapted from David Moss and Sarah Brennan, “Basic Statistics from the World Bank’s World Development Indicators, 2002,” Harvard Business School Case No. 703-030 (Boston, MA: Harvard Business School Publishing 2002.).

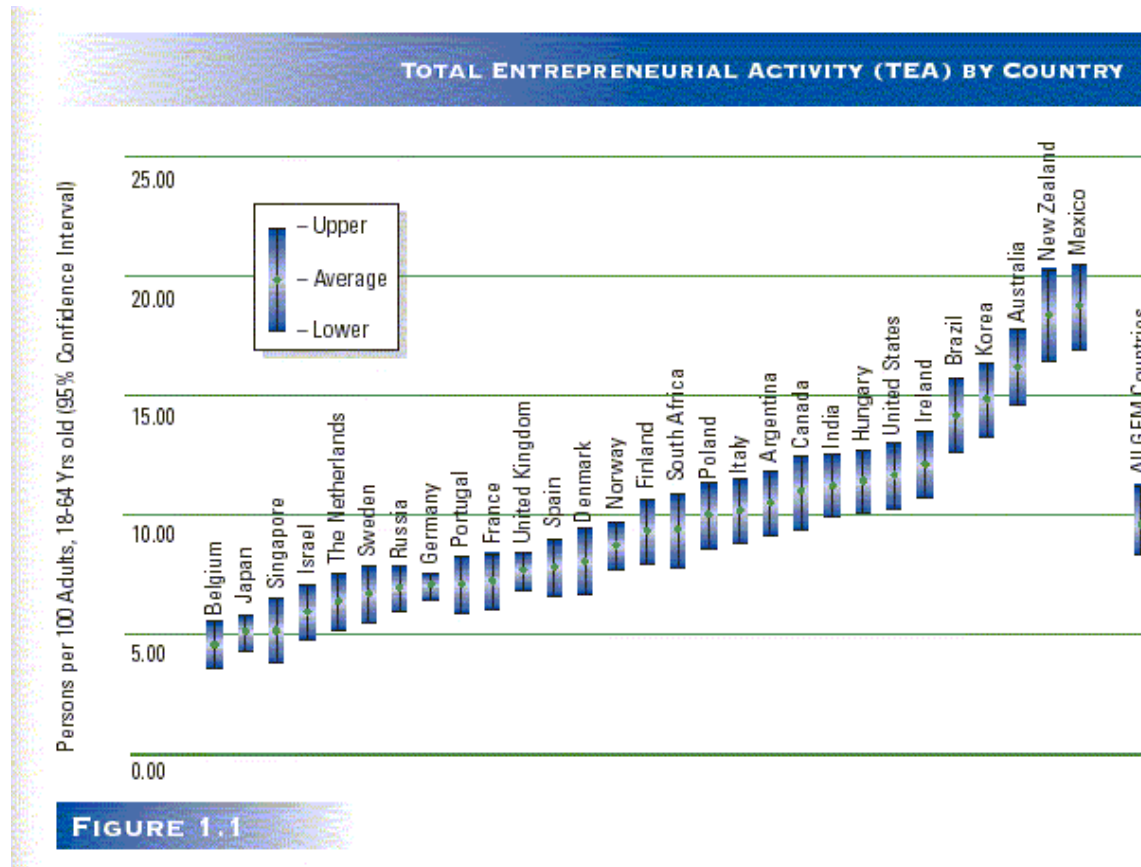
^aGNI per capita is calculated by converting GNI in national currency to US dollars, using the average exchange rate over a three-year period. The Purchasing Power Parity (PPP) method tries to use U.S. prices to value the goods in other countries.

^bThe GINI Index attempts to show a country’s level of income (or in some cases, consumption) inequality. Perfect equality is 0; perfect inequality is 100. This information was gathered in the year in the column to the left.

^cPercent share of total income going to people in the lowest and highest decile income brackets. When income statistics were not available, the columns contain the % share of consumption going to people in the lowest and highest consumption brackets.

Exhibit 10b Global Entrepreneurship Monitor Study (GEM) (excerpts)

Entrepreneurship in the United States has become mainstream. At any given time, 11.7 percent of the adult working population (18-64 years old) is either involved in the startup process or is the owner/manager of an active young business (less than 42 months old). This percentage is what GEM 2001 refers to as America's total entrepreneurship activity (TEA) rate. In comparison to the TEA rates for each of the 29 countries involved in the 2001 Global Entrepreneurship Monitor, the United States ranks as the seventh highest (**Figure 1.1**).^a



The 2001 study further segments TEA into two categories: “opportunity entrepreneurship” and “necessity entrepreneurship.” This was accomplished by asking survey respondents whether they were starting a business opportunity (i.e., opportunity entrepreneurship) or because they had no better choices for work (i.e., necessity entrepreneurship). It is clear from **Figures 1.2** and **1.3** that the United States is predominantly opportunity-driven with 10.3 percent of adults involved in opportunity-oriented entrepreneurial activity and only 1.2 percent of adults involved in necessity-oriented entrepreneurial activity.

Exhibit 10b (continued)



FIGURE 1.2

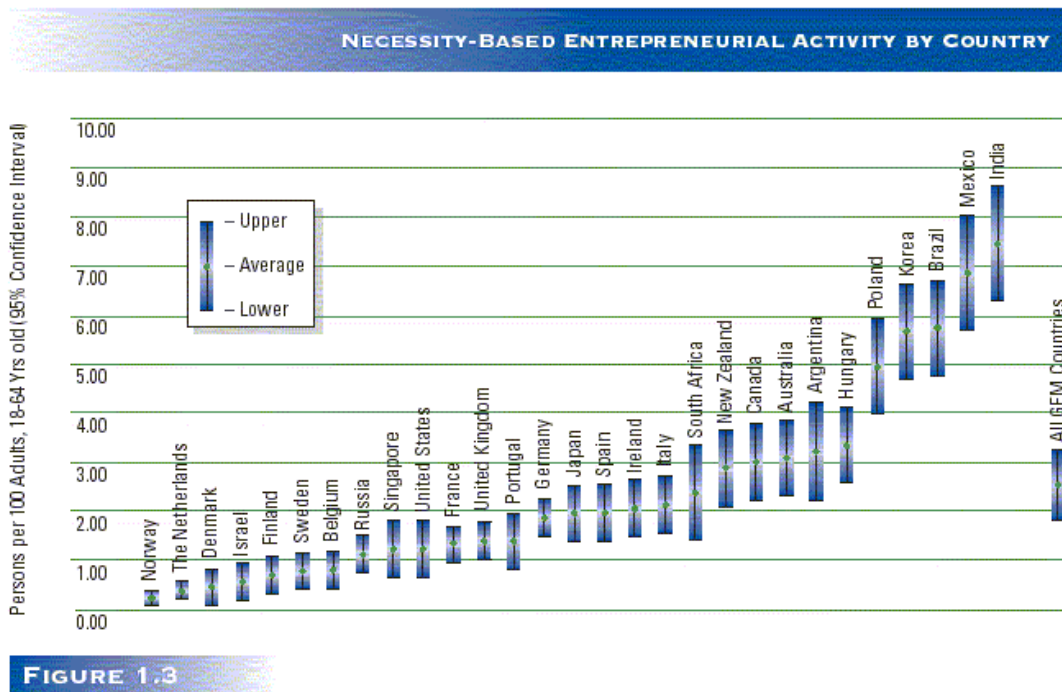


FIGURE 1.3

Source: Andrew L. Zacharakis, William D. Bygrave, and Dean A. Shepherd, "Global Entrepreneurship Monitor – 2000 Executive Report," Kauffman Center for Entrepreneurial Leadership, p. 8.

Exhibit 11a Endeavor Budget – Base Case: One New Country in 2002 Only (US\$ in thousands)

	Endeavor Global (Headquarters)						Total Endeavor Countries (Local)						Consolidated					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
SELECTED ENDEAVOR IMPACT DATA:																		
New (per year):																		
Endeavor Countries	-	-	-	-	-	-	1	0	0	0	0	0	1	-	-	-	-	-
Endeavor Companies Selected	-	-	-	-	-	-	30	26	26	26	26	26	30	26	26	26	26	26
Cumulative:																		
Endeavor Countries	-	-	-	-	-	-	5	5	5	5	5	5	5	5	5	5	5	5
Companies Screened	-	-	-	-	-	-	3,128	4,437	5,746	7,055	8,364	9,673	3,128	4,437	5,746	7,055	8,364	9,673
Endeavor Companies Selected	-	-	-	-	-	-	94	120	146	172	198	224	94	120	146	172	198	224
Endeavor Entrepreneurs	-	-	-	-	-	-	140	174	208	242	276	310	140	174	208	242	276	310
Total Participants in Endeavor Events	2,510	2,610	2,710	2,810	2,910	3,010	24,661	32,569	40,458	48,347	56,236	64,321	27,171	35,179	43,168	51,157	59,146	67,331
Endeavor Employees	5	6	6	6	6	6	30	33	35	35	35	40	35	39	41	41	41	46
REVENUES:																		
Interest income (1)	8	11	18	19	23	24	-	-	-	-	-	-	8	11	18	19	23	24
Donations (2)	804	1,190	1,290	1,390	1,390	1,390	58	58	58	58	58	58	862	1,248	1,348	1,448	1,448	1,448
Entrepreneur Service Fees	122	163	136	136	136	136	-	-	-	-	-	-	122	163	136	136	136	136
Country Benefactor grants	377	250	125	124	60	60	1,882	1,939	1,359	560	-	-	2,258	2,189	1,484	683	60	60
Grants (3)	332	86	39	-	-	-	239	232	216	91	91	91	571	319	255	91	91	91
Sponsorships / Memberships	77	150	175	175	200	200	625	671	1,219	2,256	2,872	2,999	702	821	1,394	2,431	3,072	3,199
TOTAL REVENUES	1,721	1,851	1,783	1,843	1,809	1,810	2,803	2,900	2,852	2,965	3,021	3,148	4,524	4,751	4,635	4,808	4,830	4,958
EXPENSES:																		
Variable Costs:																		
Education	43	43	43	43	43	43	22	23	24	25	26	27	65	66	67	68	69	70
Marketing	8	6	5	5	5	5	-	-	-	-	-	-	8	6	5	5	5	5
Printing/Publications/Shipping	60	57	57	71	57	57	63	66	67	69	71	73	122	123	124	140	128	130
eMBA program expenses	-	-	-	-	-	-	122	163	136	136	136	136	122	163	136	136	136	136
Events and Activities	358	413	386	386	386	386	608	677	703	731	761	793	966	1,090	1,089	1,117	1,147	1,179
Travel	40	44	40	40	40	40	84	85	87	90	93	96	123	130	128	131	133	136
Total Variable Costs	508	564	532	546	532	532	898	1,014	1,017	1,051	1,087	1,125	1,406	1,578	1,548	1,597	1,619	1,657
Fixed Costs:																		
Salary & Benefits	585	777	872	883	885	886	1,198	1,304	1,369	1,437	1,509	1,585	1,784	2,081	2,241	2,321	2,394	2,471
Annual Grants to Endeavor-Global	-	-	-	-	-	-	377	250	125	124	60	60	377	250	125	124	60	60
Professional Fees	334	210	210	210	210	210	59	55	58	61	63	66	393	265	268	270	273	276
IT & Communications	128	99	39	39	39	39	48	50	51	52	54	56	177	148	89	91	92	94
Marketing	-	-	-	-	-	-	51	53	54	56	58	60	51	53	54	56	58	60
Other Administrative	56	59	59	117	117	117	170	174	178	184	190	196	226	233	237	301	307	313
Total Fixed Costs	1,103	1,144	1,179	1,249	1,250	1,252	1,905	1,886	1,835	1,913	1,934	2,023	3,008	3,030	3,014	3,162	3,184	3,274
TOTAL EXPENSES	1,611	1,708	1,711	1,795	1,782	1,783	2,803	2,900	2,852	2,965	3,021	3,148	4,414	4,608	4,563	4,759	4,803	4,931
OPERATING INCOME/LOSS	110	143	72	49	27	27	-	-	-	-	-	-	110	143	72	49	27	27
Total Headquarters Cost Per Entrepreneur (4)	12	10	8	7	6	6	20	17	14	12	11	10	32	26	22	20	17	16

Source: Company.

Note: Endeavor Global's financials are unconsolidated (excluding Endeavor Chile's expenses) and are reflected on a cash basis.

- (1) Interest income reflects interest earned on operating cash balance. Base budget does not reflect incremental interest income from an endowment.
- (2) Donations include the Gala, but do not include value of stock donations and/or 1-2% entrepreneur equity donations, that accrue to country and/or US endowments.
- (3) Grants include funding from foundations, governments, NGOs, and organizations like the World Bank and IDB.
- (4) Total Cost per entrepreneur is calculated as Endeavor Global's total expense figure divided by the total number of Endeavor Entrepreneurs supported by the local affiliates.

Exhibit 11b Endeavor Budget—Growth Scenario: Base Case + Incremental Revenues Associated with Endowment and Costs Associated with Additional One Country per Year (US\$ in thousands)

	Endeavor Global (Headquarters)					Total Endeavor Countries (Local Affiliates)					Consolidated				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
SELECTED ENDEAVOR IMPACT DATA:															
New (per year):															
Endeavor Countries	-	-	-	-	-	2	1	1	1	1	2	1	1	1	1
Endeavor Companies Selected	-	-	-	-	-	34	38	46	54	62	34	38	46	54	62
Cumulative:															
Endeavor Countries	-	-	-	-	-	6	7	8	9	10	6	7	8	9	10
Companies Screened	-	-	-	-	-	3,253	4,812	6,496	8,305	10,239	3,253	4,812	6,496	8,305	10,239
Endeavor Companies Selected	-	-	-	-	-	98	136	182	236	298	98	136	182	236	298
Endeavor Entrepreneurs	-	-	-	-	-	145	195	256	328	411	145	195	256	328	411
Total Participants in Endeavor Events	5,520	5,920	6,320	6,720	7,120	25,452	34,771	44,695	55,243	66,415	30,972	40,691	51,015	61,963	73,535
Endeavor Employees	7	8	9	11	12	33	40	46	50	54	40	48	55	61	66
Endowment Raised	5,000	10,000	15,000	20,000	25,000	-	-	-	-	-	-	-	-	-	-
REVENUES:															
Interest income (1)	162	424	704	981	1,263	-	-	-	-	-	162	424	704	981	1,263
Donations (2)	804	1,190	1,290	1,390	1,390	58	58	58	58	58	862	1,248	1,348	1,448	1,448
Entrepreneur Service Fees	122	190	218	272	326	-	-	-	-	-	122	190	218	272	326
Country Benefactor grants	590	600	490	504	455	2,481	3,076	3,032	2,749	2,189	3,071	3,676	3,523	3,253	2,644
Grants (3)	332	86	39	-	-	239	304	266	141	141	571	390	305	141	141
Sponsorships/Memberships	102	249	274	274	299	590	632	1,181	2,217	3,350	727	920	1,493	2,530	3,688
TOTAL REVENUES	2,113	2,740	3,014	3,420	3,733	3,402	4,108	4,575	5,204	5,777	5,516	6,848	7,590	8,624	9,510
EXPENSES:															
Variable Costs:															
Education	43	58	58	98	123	22	23	24	25	26	65	81	82	123	149
Marketing	8	8	9	11	12	-	-	-	-	-	8	8	9	11	12
Printing/Publications/Shipping	65	77	81	117	106	90	123	153	184	215	155	200	235	301	322
eMBA program expenses	-	-	-	-	-	122	190	218	272	326	122	190	218	272	326
Events and Activities	466	606	666	721	808	682	825	925	1,027	1,131	1,148	1,431	1,591	1,748	1,940
Travel	51	72	75	83	90	102	123	144	165	187	154	195	219	248	277
Total Variable Costs	633	821	890	1,029	1,140	1,019	1,284	1,463	1,674	1,886	1,652	2,105	2,353	2,702	3,026
Fixed Costs:															
Salary & Benefits	708	925	1,135	1,336	1,406	1,400	1,764	2,087	2,414	2,744	2,108	2,688	3,223	3,750	4,150
Annual Grants to Endeavor-Global	-	-	-	-	-	590	600	490	504	455	590	600	490	504	455
Professional Fees	334	225	240	240	275	73	84	103	122	142	407	309	342	362	417
IT & Communications	128	168	113	116	134	60	74	87	100	113	189	242	199	215	248
Marketing	-	-	-	-	-	60	70	80	90	101	60	70	80	90	101
Other Administrative	56	61	62	126	128	200	233	266	301	336	255	293	328	427	464
Total Fixed Costs	1,226	1,378	1,550	1,818	1,943	2,383	2,824	3,112	3,530	3,891	3,609	4,203	4,662	5,348	5,834
TOTAL EXPENSES	1,859	2,199	2,440	2,847	3,083	3,402	4,108	4,575	5,204	5,777	5,261	6,307	7,015	8,050	8,860
OPERATING INCOME/LOSS	255	541	575	574	650	-	-	-	-	-	255	541	575	574	650
Total Headquarters Cost Per Entrepreneur (4)	13	11	10	9	8										
Incremental expenses per new country supported	248	246	243	263	260										

Source: Company.

- (1) Interest income reflects interest earned on operating cash balance and interest income from endowment. Assumes 5% interest income on endowment.
- (2) Donations include the Gala, but do not include value of stock donations and/or 1-2% entrepreneur equity donations, that accrue to country and/or US endowments.
- (3) Grants include funding from foundations, governments, NGOs, and organizations like the World Bank and IDB.
- (4) Total Cost per entrepreneur is calculated as Endeavor Global's total expense figure divided by the total number of Endeavor Entrepreneurs supported by the local affiliates.