**No Sand Between Our Toes VI**

**But we do see lots of castles made of sand.**

This is the sixth edition of our summer blast. Many rhapsodize over sand sculptures carefully crafted, whether by an eight year old sea side with a plastic bucket or a professional creating spectacular lifelike edifices with trucked in fine grade sand and special tools behind a roped off area at a competition. Both look great…for a time and eventually suffer the fate of all castles made of sand, with apologies to Jimi Hendrix (Check out <http://www.youtube.com/watch?v=67ZrQO2lV5Y> ). The truth is that both our sandy constructors know the truth – even wait with glee – for the sea to take their labor away. Ever notice the look of delight when a small child creates the “impregnable” wall that gets breached by the lap of the ocean, momentary sadness turned to wonder at the power of a greater force.

Our summer has been off the beach because our team has been ever vigilant protecting our portfolio and Funds from outside forces. Some of the battles we fight were created by bad acts of the prior General Partners of funds we have taken over. Others are macro, whether caused by general economic conditions or market forces. We are busily engaged, for example, with one of our principals having been seconded to too warm Florida acting as Chief Information Officer for a spectacularly fast growing portfolio company, diligence visits by us on deals, and diligence on us by financial guarantors as all the while our back office beavers away at home fulfilling compliance obligation to assure that projects and portfolios are in full alignment with the law and our Limited Partners.

The greater force in our allegory of the ocean today is truth. Truth will wash over poor governance or pitiable investment judgment. Truth will unbury any timorous cover-up of malfeasance. Truth will undermine hurriedly erected battlements. Too often we see General Partners who are making small mistakes and exacerbate them by not fessing-up. Rather, the effort to defend say, a too large and unjustified valuation until “the market catches up with our value” (as we often hear) escalates to fraud when the market turns the other way or the fortune of hope devolves to despair. Most of our take over efforts could have been avoided if simple diligence by LPs were extended or a review of a Fund’s mission, deal sourcing, diligence efforts, monitoring capacity were conducted when a pink flag might be waived rather than a red flag hoisted high. Our Quality Assurance Program/Review of funds is specifically designed to prevent a problem event from becoming a crisis. Here’s hoping more QAP/R like efforts are sought by our clients so we can spend a bit more time on the beach next year.

Now, where’s my shovel? I’ve got this great idea for a mermaid surrounded by a wall of sea horses to stand as sentinel against the waves. Maybe I’ll join the sand sculpture competition…next year.

Mark S. DiSalvo is the President and CEO of Sema4 Inc., dba Semaphore ([www.sema4usa.com](http://www.sema4usa.com)), a leading global professional services provider of Private Equity and Venture Capital funds under management and diligence services. Semaphore currently holds fiduciary obligations as General Partner for six Private Equity and Venture Capital funds, is a New Markets Tax Credit lender and advises General and Limited Partners as well as corporations around the world. Semaphore’s corporate offices are in Boston with principal offices in New York, London and Dallas.