

ABOUT CABEF

The Caribbean Basin Sustainable Energy Fund (CABEF) is a venture capital fund that invests in clean energy and energy efficiency projects and companies.

CABEF's purpose is to contribute to climate change mitigation through the installation of renewable energy generation plants and also through the implementation of energy efficiency initiatives.

CABEF seeks investment opportunities in small and medium sized projects and companies in the Caribbean Basin and offers risk capital to help leverage bank debt.

CABEF does not offer senior term loans (like commercial and development banks do), but rather it participates in the project companies' equity side through mezzanine and pure equity investments.

ORIGIN AND INVESTORS

CABEF combines investment capital from the Multilateral Investment Fund of the Inter-American Development Bank (MIF-IDB), with other institutional and private sector sources. These include the Climate Investment Funds and the Global Environment Facility (GEF), both managed by MIF, as well as Calvert Foundation and a group of private investors from the United States and Central America.



Sustainable Energy
Central America

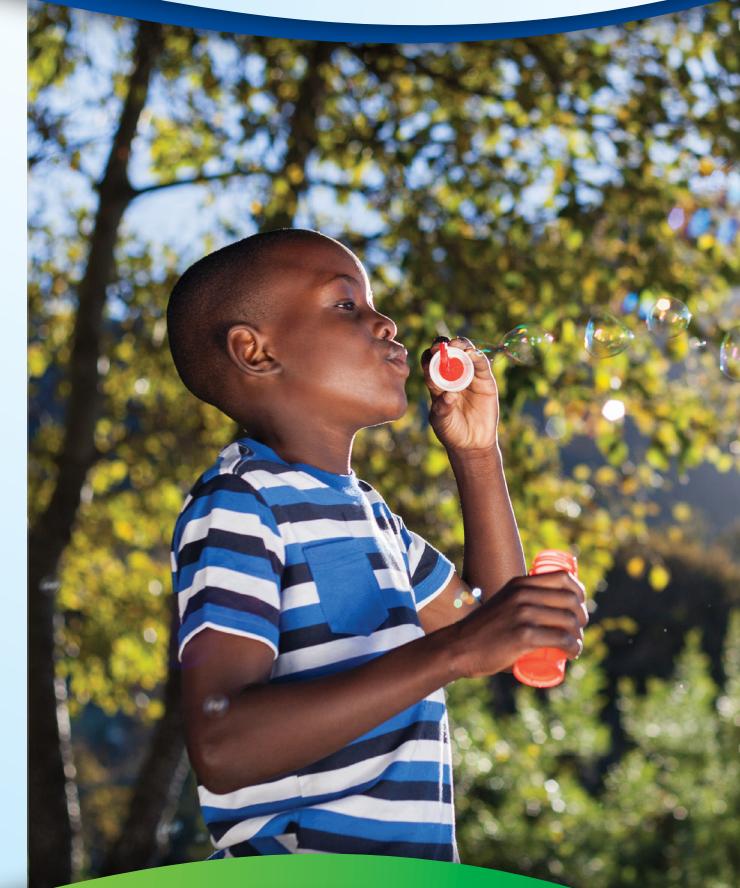
FUND MANAGEMENT COMPANY

CABEF is managed by a professional firm dedicated to the creation, assessment and management of investment portfolios in the clean energy and energy efficiency sectors in Latin America and the Caribbean. This company is Sustainable Energy Central America (SECA), based in San José, Costa Rica and with regional representation in the Caribbean.

SECA is run by a group of seasoned professionals with ample experience on clean energy and energy efficiency investment portfolios in Latin America and the Caribbean. SECA's track record is both at the level of individual investment opportunities with diverse clean energy technologies, as well as on the structuring of venture capital investment mechanisms such as CABEF.

TECHNICAL ADVISOR

The Honduran firm Pedra Clau, S.A. based in Tegucigalpa provides technical, engineering and social-environmental advisory to the Fund Manager. Pedra Clau participates during due diligence of investee companies focusing on revision of engineering, construction budget and management, evaluation of technical studies, etc. as well as social and environmental due diligence and risk management. In addition, after a portfolio investment is approved, Pedra Clau acts as owners engineer supervising the construction process and performing social and environmental monitoring. Pedra Clau's advisory remains for as long as CABEF remains invested in a portfolio company.



INVESTMENT GUIDELINES

Eligible Projects	Grid-connected and off-grid renewable energy and energy efficiency projects and companies. Also, distributed generation projects using renewable energy and combining, or not, energy efficiency applications.
Technologies	Hydropower, Solar PV, Solar Thermal, Wind, Biomass, Biogas, Hybrid, and Energy Efficiency.
Geographic Location	CABEF can invest in projects and companies located in the following countries: Honduras, El Salvador, Guatemala, Nicaragua, Costa Rica and Panama, in Central America; Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Curacao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago, in the Caribbean.
Size	The only size limitation is for hydroelectric projects, up to 15MW of installed capacity.
Minimum Investment Amount	US\$1 million.
Maximum Investment Amount	Up to 10% of the Fund's total capitalization per project, or up to 15% of the Fund's total capitalization per economic group. Currently, \$6.3M and \$9.45M, respectively.
Instruments	Convertible subordinated debt; preferred shares; or common shares of investee project companies. For energy efficiency projects, financial leasing mechanisms, indexed or not to energy savings.
Controlling Interest	No. CABEF prefers to remain as minority shareholder, especially when investing through the purchase of common shares (between 20% and 40% of an investee company's common share capital).
Currency	US Dollars.
Investment Term	Up to 13 years. The offered term will gradually reduce as the Fund's Investment Period advances.
Repayment	Through pre-agreed repayment schedules, which could be flexible and include grace period on principal amortization or share redemption, as the case may be.
Pursued Returns	According to the risk profile of the investment instrument being used. As an indication, CABEF seeks returns between 15% and 20% IRRs.
Fees	As usual, a one-time up-front fee upon disbursement, to be negotiated on a case-by-case basis; as a mere indication, the disbursement fee would range between 1% and 2% flat over the amount disbursed, depending on the complexity and risk profile of the investment.
Due Diligence Costs	As usual, to be covered by the client. However, CABEF's Technical Assistance funds could be used to cover the cost of additional technical studies, if deemed necessary as a result of the due diligence process.
Legal Expenses	As usual, to be covered by the client.
Minimum Bankability Criteria	For grid-connected renewable energy generation projects: <ul style="list-style-type: none"> • Approval of all permits and government authorizations; • Power Purchase Agreement (PPA) duly approved; • Title, ownership or securing all land where the project will be built; • Solid fundamentals and all technical studies completed; • Bankable project for senior lenders (ideally, senior debt approved or at advanced approval stage), and that the sponsors show financial muscle to cover cost overruns and the minimum equity contribution demanded by senior lenders and CABEF.
Guarantees	Usually, Guaranty and Cash Management Agreement with CABEF subordinated to Senior Lenders. Cash reserves, escrow accounts and sinking funds to provision CABEF's repayment will be requested.
Exit Strategy	Preferably, repayment schedules previously agreed with the project sponsors. CABEF will usually give the sponsors the right of first refusal (in the case of preferred or common share investments).
Investment Process	Two-step process: <ul style="list-style-type: none"> • Initial assessment of a project profile or executive summary to determine fit with investment guidelines and approval to advance towards due diligence; • If due diligence process is approved and once completed, an investment proposal is prepared and submitted to the Fund's Investment Committee for formal approval. Once definitive approval is obtained, financial and legal closing takes place. Disbursement of CABEF's investment is usually done according to a previously approved disbursement schedule based on the project's construction plan and budget.

VALUE ADDED



STRATEGIC PARTNER

CABEF invests risk capital to support and complete the equity or quasi-equity component of a project's financial structure, but it also brings the value added of a specialized investor with decades of experience and an ample network of contacts in the renewable energy and energy efficiency sectors.



VALUE ADDED

CABEF's value added goes beyond funding for project construction and implementation; it can also help on the financial structuring by bringing other co-investors, or advising the project sponsors on the negotiation of terms with senior lenders. Moreover, CABEF's participation in a project company strengthens its corporate governance and senior management.



PROFITABILITY

CABEF pursues fair returns in exchange for the risk profile of the investee project or company and the investment instruments offered.



CORPORATE GOVERNANCE

Whether CABEF participates in a project company investing with preferred or common shares, it will usually hold a board seat and play a constructive role in the company's corporate governance.



DEVELOPMENTAL IMPACTS

CABEF seeks social and environmental positive impacts, in addition to financial returns. CABEF's investments pursue the promotion of community development activities such as job creation, technical education, micro and mini entrepreneurship, collaboration of community-based social-environmental initiatives, environmental protection, reforestation, etc. Through the Fund's Technical Assistance Facility, CABEF can support community-based programs and activities for inhabitants and villages around investee projects.