# DIRECT LOAN FINANCING

InnoVida Holdings LLC

Haiti

Manufacturing of Structural Panels for Home Construction

January 26, 2010

**PROJECT TEAM**:

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**Section I: Non-Confidential Information Summary for the Public**

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|---|---|
| **Host Country**: | Haiti |
| **Borrower:** | InnoVida Holdings LLC |
| **U.S. Sponsor:** | Claudio Osorio |
| **Foreign Sponsors:** | Serenity Holdings Ltd. |
| **Project Description:** | Development, construction and operation of a manufacturing facility dedicated to the production of composite structural panels used in construction of rapid deployment, energy efficient homes and other structures in Haiti; along with the necessary working capital to produce and ship structural panels from the Borrower's U.S. factory to immediately provide housing to displaced Haitian families (the "Project") |
| **Total Project Cost:** | $15.1 million |
| **Proposed OPIC Loan:** | $10 million |
| | |
| **Developmental Effects:** | This Project is an immediate and long-term response to Haiti's economic and humanitarian crisis. In January 2010, a powerful earthquake devastated Haiti's infrastructure reducing the capital, Port-au-Prince, to rubble, and displacing millions of Haitians. This Project will provide immediate affordable pre-fabricated housing opportunities for these displaced individuals. In addition, the Project's sponsor will construct a housing manufacturing facility that will produce disaster and pest-resistant, energy-efficient and sustainable housing and building solutions. The Project's housing construction and manufacturing activities will result in 37 new jobs for Haitians, who will receive both in-country and foreign training for ongoing operations. |
| **Environment:** | Small-Scale manufacturing and component assembly operations are screened as Category B projects under OPIC's environmental guidelines because impacts are site specific and readily mitigated. The major environmental concerns associated with the production of composite panels are appropriate handling of hazardous material inputs, proper disposal of wastewater and solid wastes generated by the process and assurance that appropriate measures are in place to assure worker health and safety. |
| **Worker Rights:** | OPIC's statutorily required standard worker rights language will be supplemented with provisions concerning the right of association, organization and collective bargaining, hours of work, minimum wages, timely payment of wages, minimum age and hazardous work situations. Standard and supplemental contract language will be applied to all workers of the Project. |
| **Human Rights:** | The Project received a human rights clearance from the U.S. State Department on January 21, 2010. |

## Section II: Summary of Business Confidential Information and OPIC Staff Analysis

### A. TRANSACTION SUMMARY

**Country:** Haiti
**Borrower:** InnoVida Holdings LLC ("InnoVida" or the "Company")

**Sector:** Manufacturing of structural panels for home construction

**Project Description:** Development, construction and operation of a manufacturing facility dedicated to the production of composite structural panels used in construction of rapid deployment, energy efficient homes and other structures in Haiti; along with the necessary working capital to produce and ship structural panels from the Company's U.S. factory to immediately provide housing to displaced Haitian families (the "Project")

**Total Project Cost:** $15.1 million
**Proposed Loan Amount:** $10 million

**Financial Plan:**

| **Sources:** | **(in thousands)** | **% of Total** |
|---|---|---|
| OPIC Debt | 10,000 | 66% |
| Sponsors' Equity | 5,100 | 34% |
| **Total Sources of Funds** | **15,100** | **100%** |
| **Uses:** | | |
| Machinery and equipment | 8,600 | 57% |
| Raw materials and finished goods inventory | 5,380 | 37% |
| Initial working capital (incl. legal and finance costs) | 1,000 | 7% |
| Leaseholds | 70 | .1% |
| Other | 50 | 0% |
| **Total Uses of Funds** | **15,100** | **15,100** |

**Loan Tenor/Amortization:** 5 years, including a one year grace period on principal repayment. Principal will amortize on a straight-line, quarterly basis over the remaining four year period.

**U.S. Sponsors:** Claudio Osorio (85% ownership of Company), along with various other U.S. shareholders all holding less than 1% of the Company's shares, including Carlos Boozer, Howard Eisley, and Alonzo Mourning.

**Foreign Sponsors:** Serenity Holding Ltd. (9.3% ownership of Company), a United Arab Emirates limited liability company; and various other foreign shareholders individually owning less than 5% of the

| | |
|---|---|
| | Company's shares. |
| **Collateral:** | a.) A pledge of shares by InnoVida in InnoVida Cyprus, a wholly-owned subsidiary with 100% ownership of the Company's international operations;<br>b.) An assignment of major sales agreements representing greater than 300 homes, if such becomes available. |
| **Project Eligibility:** | The Company, owned approximately 86% by U.S. citizens, is a small business with total revenues of $39.6 million for 2008. As a U.S. small business, the Company has substantial involvement in the Project via (ii) ownership and management control over all Project operations and (ii) its equity at risk in the transaction. |

## B. PROJECT DESCRIPTION

### 1. Project Background and Overview

On January 12, 2010, the city of Port-au-Prince, Haiti endured an overwhelming 7.0 magnitude earthquake that devastated the city. A significant portion of the city collapsed in rubble and hundreds of thousands of survivors were left homeless. Aid workers are currently struggling to distribute the most critical needs of food, water, and medical care to the population. Individuals are meeting their needs for cover from rain and sun by devising makeshift shelters from available materials, such as bed sheets and blankets. Thousands of Haitians have attempted to leave the country by boat; and temporary tent cities are being erected to curb the spread of disease. It is apparent that more permanent home structures are necessary.

InnoVida *(English translation "Improve Life")* has requested $10 million in financing from OPIC for the construction and operation of a manufacturing facility dedicated to the production of composite structural panels used in the construction of quick-build, energy-efficient homes and other structures. In conjunction with the financing of the proposed facility, the Project includes $5.4 million in working capital financing so that the Company may produce and ship structural panels from its existing production facility in Miami to begin home-building activities for 550 homes almost immediately. The Company indicates that it could begin shipping panels within two weeks of an OPIC commitment. However, the actual shipping date will depend upon the transport arrangements that can be made. In tandem, the Company will begin assembling the equipment necessary for the new factory. The Company indicates that it could have the packaged factory ready for shipping to Haiti within two to three months and fully operational within another three.

InnoVida is well-placed to support the recovery efforts in Haiti. The Company has strong relationships with the NGO community (such as the Clinton Global Initiative ("CGI"), Habitat for Humanity, and World Vision), as well as the Haitian government, and U.S. persons of political influence that are able to assist in advancing the Company's plans. For instance, former President Bill Clinton is personally in contact with the Company to organize its logistical and support needs; Wesley Clark is arranging for military transport of the initial structural panels; Steven Green (former CEO of Samsonite Corporation and former Ambassador to Singapore) will provide barge space on ocean vessels when necessary to ship the factory components; and Secretary of State Hillary Clinton has made available State Department resources to assist with logistical arrangements.

The Company had already planned for the construction of the manufacturing plant in Haiti prior to the earthquake and CGI had previously indicated that it would be willing to contract to purchase 6,500 homes in Haiti from InnoVida within the next year. As a result, when emergency relief needs became obvious, InnoVida was well-placed to fulfill the immediate need. At this stage, no purchase contracts have been signed and are not anticipated in the near future due to the more immediate recovery activities being focused upon in Haiti. InnoVida plans to ship panels immediately without a firm offtaker, and would even donate the panels for home construction if necessary. However, given the basic necessity of housing for such a large portion of the population, InnoVida's ability to respond to the need immediately, and the resources at its disposal, it is anticipated that payment for the housing panels will be available from: 1.) International aid organizations; 2.) Foreign governments; and/or 3.) Haitian citizens with financial capability.

At this stage, the Company is working directly with the NGO's in the country, as they have the funds most immediately available to organize the construction. Each home will be sold for approximately $10,000. Currently, the plan is for NGO's to purchase the homes outright and then offer the homes to families on an extended payment plan with a significant grace period. The Company will not be involved in either individual home sales or actual home construction other than to provide the necessary training.

The proposed loan will be made to the Company, based in the U.S. At this stage, it is not practical to establish a special-purpose Haitian legal vehicle and the project team expects that there would be a significant delay to identify local counsel, obtain the required local legal opinions and register local collateral. Therefore, the transaction has been structured as an onshore, U.S. transaction. This provides some strength to the Project, as OPIC will be able to rely on all cash flows of InnoVida, an existing, holding company with eight operational or nearly-operational subsidiaries, and not solely on the Haiti activities.

## 2. The InnoVida Housing Solution

The primary principals that distinguish InnoVida homes from others are: (1) the speed with which homes can be erected: (2) the ability of the homes to withstand the elements, and (3) the ability of the home to provide long term, sustainable energy efficiency.

InnoVida composite structural panels are based upon proprietary technology with patents pending for the composite materials utilized and the construction methodology. InnoVida's structural panels are unique to the market in that neither the materials nor building methods are used by other structural panel producers.

The InnoVida composite panels are formed from a combination of an insulated foam core and a special, hardened resin that serves as a coating or skin. The combination of these materials results in a wall panel, used for both interior and exterior purposes, which is both lightweight and extremely strong. The lightweight characteristic is important because homes can be constructed from the panels without the need for any specialized construction equipment, such as cranes or forklifts. All homes can be constructed using ladders and scaffolds as the materials are easily managed by hand. The strength characteristic has been proven in independent tests showing that the panel can sustain Category 5 hurricanes, earthquakes registering 7.5 on the Richter scale, and fire resistance up to 2,200° F for 90 minutes. The composite materials are also waterproof, which makes it resilient against floods and mold.

The proposed plant has a capacity to produce up to 10,000 homes per year, but at two shifts is expected to generate 6,500 homes. The initial shipments of panels from the InnoVida Miami factory will create approximately 550 homes.

InnoVida has devised a system to make individual home construction straightforward. Following the panel production, the panels are cut to size and placed on individual pallets. The necessary windows, frames and ancillary materials are included on the pallet, so that each pallet can be delivered to a specific home site. The homebuilder does not have to organize the various components, resulting in an expedited construction process. One 300 sq. ft. home, using approximately 8-10 unskilled workers, can be constructed in up to two days. This includes interior furnishings, such as tables and beds, which are built with the composite material right into the home.

It is also important to note that InnoVida's technology eliminates the need for natural resource consumption, because no wood, steel, or concrete is involved in the construction. Also, the homes provide a dramatic improvement in energy efficiency from a typical home. The insulated panels reduce the amount of energy needed to heat and cool homes, and in Haiti, may mean that no air conditioning will be necessary at all. Since the initial home kits will be provided for disaster relief, they will be prepared for shipment quickly. However, later homes are expected to be fully self-sustaining with two solar panels for independent electricity generation and water catchment and treatment systems for recycling water and sanitary waste. While this will eliminate dependence on the provision of utilities by the local government or a developer, these features will add approximately $2,500 to each home's cost.

## 3. Project Participants

### The Company

The Company originated in 2006 with a focus on providing affordable, energy efficient housing. The Company has primarily expanded its operations internationally, as the licensing and permitting processes for home construction from the composite materials have typically required shorter time periods. InnoVida has factories operational or nearly-operational in India, Angola, Oman, United Arab Emirates, China, Tanzania, and the U.S. The Company's headquarters are located in Miami, where it has one factory currently operating and has one planned for Louisiana. The Miami factory produces panels for the Caribbean market. The Company's performance in the last three years is summarized as follows:

**InnoVida Holdings LLC**
**Unaudited Financial Results for Years ended December 31st**
**(in USD thousands)**

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Current Assets | 57,985 | 8,650 | 1,485 |
| Total Assets | 147,054 | 27,886 | 7,312 |
| Current Liabilities | 25,844 | 14,197 | 5,149 |
| Long Term Debt | 17,428 | 16,625 | 0 |
| Shareholders' Equity | 103,782 | (2,934) | 2,162 |
| | | | |
| Revenues | 39,697 | 22,204 | 0 |
| Cost of Sales | 19,190 | 13,078 | 0 |
| Gross Profit | 20,179 | 9,126 | 0 |
| *Gross Profit Percent* | *51%* | *41%* | *NA* |
| Net Income | 6,705 | (492) | (3,326) |
| | | | |
| Net Cash From Operations | 5,206 | (2,423) | (2,002) |
| Net Cash Flow | 35,347 | 1,259 | 5,606 |

Results for InnoVida indicate that while the Company is still in its early years of development, it has successfully developed and operated operations in international markets and has begun to show profitability on an appropriate trajectory. The Company's general performance has shown both growth and a sustainable level of revenues. Importantly, InnoVida has been able to grow in recent years with a fairly low level of long term debt (16% in 2008). The Company's equity increased by approximately $33.6 million in 2008 from the operations of its unconsolidated subsidiaries. Nearly all of the Company's international are established as 50/50 joint ventures with local partners. These factors should reduce OPIC's risk by lending into a holding company with a diversity of profitable operations that are able to support the OPIC debt.

OPIC is awaiting results of InnoVida's financial condition and performance as of September 30, 2009, which the Company is currently preparing. Approval of the proposed loan will be made subject to the Project team's satisfaction with the September 30, 2009 financial results.

**Project Ownership:**

Ownership of the Project is as follows:

| Shareholder | % ownership |
|---|---|
| Claudio Osorio, Founder and CEO | 85.0% |
| Serenity Holdings Ltd. | 9.3% |
| Al Safeer Group | 4.9% |
| The E Group (Howard Eisley investment vehicle) | .67% |
| Carlos/Cindy Boozer | .48% |
| Chris Korge | .12% |
| Mytre Investments (Alonzo Mourning investment vehicle) | .11% |
| Harlin Waksal | .04% |
| Bernie Carballo | .01% |
| Xinyong Nie | .02% |
| Total | **100%** |

***a. U.S. Investor - Claudio Osorio***

Claudio Osorio is the Co-Founder, Chairman and Chief Executive Officer of the Company. Mr. Osorio got his start in 1977, when he founded a sporting goods and wholesale company in his hometown, Caracas, Venezuela. He successfully sold the company and in 1983 established CHS Electronics, Inc. ("CHS"). As Chairman and Chief Executive Officer, CHS became the third largest computer distribution company in the world, with revenues of $8.7 billion. In 1997, CHS was ranked #189 on the Fortune 500. In 1997, Mr. Osorio was named "Entrepreneur of the Year" in an award given by Ernest & Young, NASDAQ, Citibank, Sprint and USA Today.

In 1999, an audit identified fraudulent activity by one of CHS' regional managers in Paris, who falsified documents in order to inflate his reported revenue. CHS immediately terminated the employee and disclosed the information to the SEC. The stock price tumbled and the company was sued in a class action lawsuit by shareholders. Ultimately, a settlement was reached with the shareholders for a payment of $12 million from the insurance company.

Unfortunately, computer distribution companies which served as intermediaries between the producers and the market, suffered considerable losses with the growth of the Dell Corporation business model. Before CHS could fully recover from its earlier troubles, the "tech bubble" burst in

2001 and technology and telecommunications suffered considerable losses. A large number of the companies failed, including CHS.

Since that time, Mr. Osorio was working with the inventor of the composite panel technology. He acquired the rights and began developing the concept for InnoVida. The key strengths that he brings to the Project are: (a) his considerable experience in logistics and distribution, (b) his experience in establishing and growing companies, and (c) his network of strong contacts.

### *b. Other Investors - Serenity Holdings Ltd. ("Serenity Holdings")*

Serenetiy Holdings is a United Arab Emirates limited liability company. It is majority-owned by Hatim Moukeddem, the brother of Machhour Moukeddem, who is the CEO of InnoVida's Dubai operation. Macchour was instrumental in facilitating the construction of the Dubai factory and the construction of homes in the area. InnoVida's Dubai operation was its first operating facility and is its most profitable subsidiary to date.

### InnoVida Board of Directors

InnoVida has been able to attract well-respected, accomplished business people to its Board of Directors. These individuals have been able to provide direction and assistance in the Company's development. Directors, in addition to certain management team members, include:

- Jeb Bush – former governor of Florida, and brother of George Bush;
- Chris Korge – a businessman and entrepreneur. He is Chairman of a retail news, gifts, and food and beverage company that operates in seven airports in the U.S. He is also Chairman of Anagenesis Alternative Energy which invests in green intellectual property. He is highly involved in political circles as well. He served as National Finance Chair for Hillary's Clinton's Presidential Campaign and on the National Finance Committee for President Obama.
- Ryan Freedman – President of Coral Holdings, a premier real estate investment firm;
- Jorge Perez – Chairman of The Related Group, a leading developer of multi-family residences;
- Dr. Harlan Waksal – founder and former CEO of Imclone Systems, a pharmaceutical company specializing in developing new treatments for various forms of cancer;
- Oscar Siekaly – managing partner of NSI Insurance Group, one of the largest privately held companies in Florida and specializing in commercial and property insurance.

## 4. Management and Operations

### Project Management:

InnoVida expects to ultimately hire 35 employees in the Haiti operation. Initially, the Project will be led by a team of expatriates with experience in training unskilled labor and building contractors in the specialized housing systems. The Project will benefit from the involvement of the most experienced members of InnoVida's management team, who have been involved in the Company's operations, establishing international subsidiaries, and training homebuilders.

**Project Construction and Implementation:**

The proposed Project envisions two phases for the deployment of houses to Haitian families:

1.) Producing and shipping composite structural panels from its Miami operation as urgently as possible; and
2.) Implementation and operation of a manufacturing facility for the composite panels located in Haiti.

There are important logistical issues associated with each of these phases. Certainly, not all plans have been solidified at this very early stage; however, the Company has a strong network of contacts that has enabled it to advance in its plans quite quickly. Within the two weeks since the earthquake, the Company has:

a.) Progressed internal production plans to begin the first phase of shipping panels from the U.S. once the financing has been secured;
b.) Arranged for initial panels to be shipped via military transport (subsequent panel shipments will be made by ocean freight);
c.) Advanced discussions with several NGO's who have expressed willingness to purchase a large number of home kits (Clinton Global Initiative, World Vision and Habitat for Humanity);
d.) Identified opportunities to lease warehouse space that would enable the Company to avoid the issues of commercial construction for its manufacturing facility. The appropriate space will be contracted once the financing is secured;
e.) Received assurances from NGO's that utilities will be made available on a priority basis for the Company's construction activities and for the communities where the homes are to be built;
f.) Met with the First Lady of Haiti to discuss areas of coordination between InnoVida and the government;
g.) Secured commitments from its largest raw material producers, such as Dow Chemical, to provide the necessary inventory on a stand-by basis, in order to meet the needs of the Haiti development;
h.) Provided design plans to CGI and began construction of composite panels for construction of an infirmary and a school building to be immediately shipped to Haiti.

As next steps, the Company will:

a.) Organize the shipment of the materials necessary for implementation of the factory. The new factory requires parts and equipment that will be obtained from the U.S., Germany, China, and UAE. Since this is specialized machinery for the Company's process, it will take approximately two to three months to have the components available for the Haiti factory.
b.) Sign contracts with NGO(s) for the purchase of the houses. Following the initial shipment of panels, which the Company is willing to donate if necessary, InnoVida will not begin production of panels without a deposit of 30-50% of the sales price, and will not ship the

finished panels without payment in full. (This reduces OPIC's risk as secondary disbursements would be unlikely unless these contracts are executed).

c.) Ensure the availability of the necessary tools and utilities necessary for operation of the factory, construction of the homes, and enjoyment of the homes by the homeowners.

The Project team also notes that currently there is a moratorium on the necessity for government approvals and licenses typically required for home building, construction and commercial operations. It cannot be determined when these will once again be necessary, but the client will comply with its local law requirements.

**Project Location and Siting:**

A Project site for the manufacturing facility has not yet been identified. InnoVida indicated that it is aware of several available facilities located approximately 20 miles outside of Port-au-Prince that were unaffected by the earthquake. It has received offers from both George Soros and World Vision, who have available warehouse space in the country. Once the Company determines the most appropriate location, with a building already erected, the manufacturing equipment could be installed and become operational within 6 months. InnoVida's experience in developing similar factories will be a good foundation for moving through the construction and implementation stage fairly quickly.

## C. FINANCIAL PROJECTIONS AND SENSITIVITIES

### 1. Financial Projections

Base case financial projections for the Project for the duration of the proposed OPIC Loan term are shown below. Please note that this financial is based only on the Company's Haiti operation. It does not reflect the capabilities, risks, or performance of any of the Company's other subsidiaries. However, these projections should be satisfactory under the assumption that the Project itself should be able to repay the OPIC debt without regard to the Company's other cash flow.

| **(In USD 000's)** | **2010** | **2011** | **2012** | **2013** | **2014** |
|---|---|---|---|---|---|
| | | | | | |
| Revenues | 32,078 | 65,520 | 65,520 | 65,520 | 65,520 |
| COGS | 36,309 | 58,926 | 58,926 | 58,926 | 58,926 |
| Gross Profit (Loss) | (4,232) | 6,594 | 6,594 | 6,594 | 6,594 |
| Operating Profit (Loss) | (5,094) | 5,957 | 5,957 | 5,957 | 5,957 |
| Net Income (Loss) | (5,528) | 5,413 | 4,284 | 4,399 | 4,515 |
| | | | | | |
| Total Assets | 14,828 | 16,926 | 18,745 | 20,644 | 31,057 |
| OPIC Loan | 10,000 | 7,500 | 5,000 | 2,500 | 0 |
| Total Liabilities | 14,497 | 11,997 | 9,497 | 6,997 | 4,497 |
| Equity | 331 | 4,965 | 9,249 | 13,648 | 26,560 |
| | | | | | |
| Op cash flow | (5,792) | 6,257 | 6,006 | 6,122 | 6,237 |
| Net cash flow | 588 | 3,157 | 3,506 | 3,622 | 3,737 |
| | | | | | |
| DSCR (current) | NA | 2.34 | 2.08 | 2.23 | 2.40 |

The base case results for InnoVida indicate strong performance once the manufacturing facility becomes operational. The model assumes that the first 550 panels that will be flown from the factory will not be sold, but will be donated by the Company to the relief effort, if necessary. This activity will take place over a six month period until the factory is able to produce. This is a very conservative assumption because if the Company is unable to sell the initial panels, it will not construct the factory or require further OPIC financing. Additionally, the initial panels are the most likely of all the panels to be sold given the need for immediate solutions.

The key drivers to the model relate to:

1.) Home prices: Each home is forecasted to be sold for $10,000 yielding a gross profit of 10% per home. Given the cost of material and labor inputs, the $10,000 price is reasonable. This price is likely to be affordable by both NGOs and individuals.
2.) Plant production: The plant is expected to produce 6,500 panels per year operating 2 shifts per day. This figure is consistent with the current capacity of he Company's Miami plant, which is similarly configured.
3.) Materials Costs: Materials costs represent approximately 42% of the total cost of sales and therefore is the key cost driver to the model. This amount is reasonable based upon the current cost inputs utilized by the Company in its Miami factory.

Each of the above assumptions, while reasonable, has been tested in the Sensitivities below.

## 2. Sensitivity Analysis

A number of sensitivity tests were conducted in order to test the primary drivers to the base case and determine those areas that could lead to the Project's weakness. The resulting impacts on the debt service coverage ratio ("DSCR") of the sensitivities are summarized as follows:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| *a. Breakeven homes sales price: $9,325* | NA | 1.00 | 1.10 | 1.22 | 1.35 |
| *b. Breakeven number of homes produced: 3,654* | NA | .99 | 1.11 | 1.21 | 1.34 |
| *c. Breakeven material cost increases: 20%* | NA | 1.01 | 1.12 | 1.23 | 1.36 |
| *d. Local salary increases by 40%* | NA | 1.99 | 1.94 | 1.93 | 2.08 |

The above sensitivities show that the gross profit on each individual home is fairly tight at just 10%. If either the sales price is forced downward or the material costs increase, the Company will have difficulties in the first year in meeting its debt service.

***a.) Breakeven home sales price: $9,375.*** This sensitivity shows that a 6.7% decrease in the sales price is a breakeven scenario for the Company. This evidences the Company's tight margin in attempting to deliver reasonably-priced homes expeditiously. While this is a concern, the risk is within the Company's control. If the homes begin to yield less than the necessary margin to repay its debt, the Company will (a) increase the sales price, (b) decrease input costs, or (c) stop further production. Increases in the sales price should not be a significant issue for the Company, since the homes will likely be purchased in bulk by an NGO. Minor price increases most likely will not discourage purchasers given the supply/demand situation. With regard the option of halting production, OPIC's risk is mitigated by the cash flows from the other InnoVida subsidiaries available to repay the OPIC debt.

***b.) Breakeven number of homes produced: 3,843 per year.*** This sensitivity shows that the Company could reduce its production by 41% before triggering an inability to meet debt service. This tantamount to InnoVida moving to one shift of production, rather than two. This proves that the Company's model is driven by both sales price and unit costs. As long as the Company maintains a reasonable margin, predictable fluctuations in the number of panels produced won't significantly impact its cash availability.

***c.) Breakeven material cost increases: 16.5%.*** This sensitivity further supports the analysis that unit cost, vis-à-vis sales price, is the important driver in the model. The materials cost represents 42% of the total costs; and therefore, swings in this factor will impact InnoVida's ability to repay its debt in the initial year following the grace period. This risk is a concern as the current environment in Haiti makes it difficult to assess typical costs of production (for example, transportation costs). However, as above, if costs were to increase significantly resulting in losses per house, the Company would (a) increase the sales price, (b) identify other means of cutting costs, or (c) stop further production. Once again, OPIC's risk would be mitigated by the Company's leverage for selling houses in the market and well as, cash flows available from other InnoVida subsidiaries for repayment of the debt.

***d.) Local salary increases by 40%.*** The results of this sensitivity indicate that labor costs in Haiti have very little impact on the overall cost of production. Very few workers (approximately 37) are needed for operation in the plant; and therefore, even significant increases in salary and wage levels does not affect the over cash flow availability.

In summary, while the Project exhibits significant risk due specifically to the unpredictable country risks at this stage, the financial projections indicate that if the Company is permitted to operate commercially, it will be able to sustain sufficient cash flow for debt service repayment.

## D. RISKS AND RISK MITIGANTS

| Risk | Description | Mitigant |
|---|---|---|
| Completion Risk | The construction and installation are not completed successfully or do not achieve forecasted results. | • The Company is experienced in successfully completing similar-size plant construction in developing markets.<br>• The Company will initially utilize working capital to produce and ship structural panels from the U.S. for immediate home construction. If it were not able to successfully install and develop sales of its product, it is unlikely that it would further undertake a factory development.<br>• The risk that the plant will not be completed specifically due to uncontrollable country factors is an appropriate risk for OPIC to bear. |
| Equity Risk | The Sponsor has insufficient funds to provide its equity contribution to the Project. | • The Sponsors are individuals of personal wealth and have the financial wherewithal to undertake the Project.<br>• The Sponsors are in process of raising donations and grant funds to assist in the Project's development. They currently expect that they will raise sufficient funds beyond what is necessary for this defined Project.<br>• The Company is an existing enterprise with positive cash flow from operations. |
| Management Risk | The Sponsor is not capable of implementing the Project or ensuring its successful long term operation | • Senior Management is comprised of experienced businessmen with a track record of undertaking entrepreneurial activities geared to fast growth.<br>• Senior Management has already established multiple international subsidiaries and factories in order to fulfill its worldwide growth plans.<br>• While Senior Management experienced a business failure within the last ten years relating to the 3rd largest telecommunications distribution company in the world, this failure was only one of innumerable technology companies that suffered bankruptcy when the tech bubble burst. |
| Operating Risk – Availability of supplies and infrastructure | The Company is unable to obtain raw materials or access to infrastructure that would enable it to sell panels for home construction or operate an manufacturing facility. | • It is difficult to assess raw material availability at this stage. International aid organizations and foreign governments are providing considerable support to open up the necessary channels for commercial and humanitarian activities to continue.<br>• Sensitivity tests show that variations up to 41% in sales levels will not impact the Project's ability to meet its debt service obligations. |

| Risk | Description | Mitigant |
|---|---|---|
| Operating Risk - Increased Costs | Costs of production may increase. | • It is difficult to predict whether the shortage of goods and services could result in inflation or hyperinflation in the country making the in-country panel construction infeasible. One would expect that NGOs or government would step in where the market fails in order to provide appropriate living conditions for the population.<br>• A materials price increase of 16.5% would need to occur before the Company would experience a breakeven level of cash flow. Labor cost increases would have minimal impact on the unit costs. |
| Market Risk – Home Demand | Demand for homes is not sustained. | • It is reasonable to assume that the demand for homes will not be filled in the near future. It is expected that numerous home builders will be available in the country and still demand will continue.<br>• Sensitivities indicate that the Company needs to sell 3,843 home systems each year in order to meet its debt service. |
| Currency Risk – Convertibility and Devaluation | Currency restrictions could be implemented to restrict convertibility or significant fluctuations in currency could impact the Project's ability to repay the debt. | • Current predictions for the behavior of the Haitian currency cannot be relied upon in the longer term. It is reasonable to assume that the Haitian currency will be disrupted by the country's current crisis, as water is currently more valuable than money.<br>• It is reasonable to assume that sales will occur in USD or other hard currency as the Company contracts with aid organizations to fund the panel purchases for home construction.<br>• The risk that Haiti's currency will become inconvertible or result in devaluation due to civil strife is an appropriate risk for OPIC to assume. |
| General Political Risks | The Project could be subject to governmental interference either in the Project's operation or its financial outlook (e.g. Taxation). | • The political risks associated with this Project are significant. The country's crisis may lead to political upheaval as Haitian's demand greater responsiveness to the needs of the population. Also, corruption has long been an issue for doing business in Haiti and it is reasonable to expect that such practices will continue.<br>• InnoVida has indicated that it will distance itself from any direct dealings with the government.<br>• The considerable political risks are appropriate risks for OPIC to assume. |
| Legal Risks | The legal environment is not conducive to lending in the country or operation of the Project. | • Given the current situation in Haiti, there is considerable legal risk regarding the operations of the Project in Haiti.<br>• Legal risks are mitigated by lending to the U.S.-based Borrower and taking a pledge in shares in the entity which holds the ownership interests in all of the Borrower's international operations. |

## Section III: Indicative Terms and Conditions for the Proposed Transaction

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| 1. Project ID: | OPIC/521-2010-836-DI |
| 2. Lender: | Overseas Private Investment Corporation (**"OPIC"**). |
| 3. Borrower: | InnoVida Holdings, LLC, a Florida limited liability company (the **"Borrower"**). |
| 4. Purpose: | The proceeds of the Loan (defined below) will be used for the development, construction and operation of a manufacturing facility dedicated to the production of composite structural panels used for rapid deployment, energy efficient homes and other structures in Haiti along with, in a manner and amount satisfactory to OPIC, the necessary working capital to produce and ship structural panels from the Borrower's U.S. factory to immediately provide housing to displaced Haitian families (the **"Project"**). |
| 5. U.S. Shareholders: | Claudio Osorio, a U.S. citizen, who owns 85% of the shares in the Borrower; and various other shareholders individually owning less than 1% of the shares in the Borrower (together, the **"U.S. Shareholders"**). |
| 6. Foreign Shareholder[s]: | Serenity Holdings, Ltd., a limited liability company organized and existing under the laws of the United Arab Emirates (which is itself owned by Machour Moukeddem, a citizen of the United States, and Hatim Moukeddem, a citizen of the United Arab Emirates), owns 9.3% of the Borrower; and various other shareholders individually owning less than 5% of the shares in the Borrower (together with the U.S. Shareholder, the "**Shareholders**"). |
| 8. Proposed Commitment: | A loan facility in a principal amount not to exceed $10 million (the **"Commitment"**). |
| 9. Total Project Costs: | $15,100,000, of which $5,100,000 shall be contributed in cash and/or assets satisfactory to OPIC as equity. |
| 10. Disbursements and Availability: | During the Commitment Period (defined below), the Borrower will be eligible to draw a loan or loans under the Commitment (the **"Loan"**) in accordance with the following terms and conditions: There shall be no more than one (1) disbursement (a **"Disbursement"**) in each calendar month and no more than four (4) total Disbursements. No Disbursement shall be greater than five million dollars ($5 million). Each Disbursement shall be evidenced by a promissory note (a "**Note**") issued by the Borrower in connection with the Disbursement, in the principal amount of the Disbursement, and maturing on the date set forth in the Note (the "**Note Maturity Date**"). |

The "**Commitment Period**" means the period commencing on the date of execution of the Loan Agreement (defined below), and ending on the earliest of (a) the first date on which the amount of the Loan equals the amount of the Commitment, (b) June 30, 2011, provided, however, if the first Disbursement has not occurred on or before the first anniversary of the date of execution of the Loan Agreement, the Commitment Period shall end on such date, and (c) the date the Commitment has otherwise been terminated.

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| 11. Loan Term and Repayment: | The Loan shall be repaid in sixteen (16) quarterly installments, commencing on the earlier of (a) the first Payment Date (defined below) following the first anniversary of the first Disbursement, and (b) September 15, 2011 (the period from the first Disbursement until such date, the **"Grace Period")**; and ending, with respect to each Note, no later than the Note Maturity Date and, if there are several Note Maturity Dates, the latest of such dates shall be called the "**Loan Maturity Date**".<br><br>Any Loan amounts repaid or prepaid cannot be reborrowed. |
| 12. Interest: | Interest shall be paid quarterly on March 15, June 15, September 15, and December 15 of each year (each such date, a **"Payment Date"**) in arrears, beginning on the Payment Date immediately following the first Disbursement, accrued on the outstanding principal balance of each Note, calculated at a fixed rate *per annum* for each Disbursement equal to the OPIC cost of funds (determined by the U.S. Treasury rate corresponding to the term of the Loan, and as further defined in the Loan Agreement), plus one and one quarter percent (1.25%) *per annum* (such sum, the **"Interest Rate"**). |
| 13. Default Interest: | If the Borrower fails to pay when due any amount due to OPIC under any Financing Document (defined below), the Borrower shall pay to OPIC post-default interest at the rate of (a) with respect to amounts due under a Note, two percent (2.0%) *per annum* over and above the Interest Rate specified in the Note, and (b) with respect to any other amounts due, two percent (2.0%) *per annum* above the highest Interest Rate set forth in any Note then outstanding. |
| 14. Voluntary Prepayment: | The Loan may be voluntarily prepaid, in whole or in part, at any time without fee or penalty.<br><br>The minimum partial prepayment shall be $100,000. Partial prepayments shall be applied to installments in the inverse order of maturity, provided, that where multiple Notes have coinciding maturities, the payment shall be applied *pro rata* to such Notes. |
| 15. Mandatory Prepayment: | The Borrower shall prepay the Loan in the event that and in the amount by which: (a) the aggregate amount of property and casualty insurance |

proceeds received by the Borrower with respect to its assets in Haiti during any fiscal year is not applied to the repair or replacement of such assets insured thereby within one hundred eighty (180) days after receipt by the Borrower, or (b) in any fiscal year, the positive result of (i) aggregate amount of dividend and/or restricted payments to the Shareholders exceeds fifty percent (50%) of the cumulative net income of the Haiti operation from the date of its inception less (ii) principal payments of the Loan for such year, (c) achievement of certain cash flow thresholds of the Borrower to be determined.

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| 16. Commitment Fee | No commitment fee will be applied. |
| 17. Cancellation Fee | No cancellation fee will be assessed. |
| 18. Facility Fee: | A facility fee, equal to $100,000, is to be paid to OPIC on or prior to the date of the initial Disbursement. |
| 19. Maintenance Fee: | On the first anniversary of the Payment Date immediately following the date of the initial Disbursement, and on each subsequent anniversary thereof for so long as any portion of the Loan remains outstanding, the Borrower shall pay to OPIC a maintenance fee in the amount of $15,000. |
| 20. Modification Fee: | In the event that the Borrower requests an amendment or waiver to the Loan Agreement or any other Financing Document (each defined below), OPIC will consider such an amendment or waiver on its merits upon payment by the Borrower, at the time of such request, of a fee, determined by OPIC, based on the complexity and timing constraints of such amendment or waiver (the "**Modification Fee**"); provided, however, that no Modification Fee will be payable if the amendment or waiver is necessary: (a) to correct an error or omission in any Financing Document, or (b) in OPIC's determination, to improve the operations of the Project without materially altering the risks undertaken by OPIC. OPIC is under no obligation to agree to any amendment or waiver.<br><br>OPIC may request a Modification Fee in connection with restructurings of any kind or any prepayment requiring releases of collateral or other similar actions by OPIC; provided, that no Modification Fee will be payable in connection with additional tranches unless the Loan or terms are restructured in connection with any such additional tranches. |
| 21. Taxes: | All sums payable by the Borrower under the Loan Agreement or other Financing Documents shall be paid in full, free of any deductions or withholdings of any and all taxes. |
| 22. Payments of or Reimbursement of | OPIC may retain consultants as necessary, including U.S. and local legal counsel, at any time until the Loan is indefeasibly repaid in full. |

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| Expenses: | The Borrower will pay or reimburse OPIC for all of OPIC's out-of-pocket fees and expenses, including the fees and expenses of OPIC's business consultants and legal counsel, incurred in connection with the negotiation, preparation, execution, delivery, notarization, recordation, and implementation of the Financing Documents and the other documents, instruments, and approvals required to be delivered thereunder. The Borrower shall also reimburse OPIC, upon demand, for all costs and expenses (including attorneys' fees and expenses and the cost of travel) incurred by OPIC (a) in preserving in full force and effect, or enforcing its rights under, any of the Financing Documents, and (b) in addition to the Modification Fee, in connection with any amendment or waiver related to any of the Financing Documents. |
| 23. Collateral Security and Key Project Documents: | The Borrower's obligations to OPIC shall be secured by collateral satisfactory to OPIC pursuant to documentation satisfactory to OPIC, including at a minimum the following (the "**Security Documents**"):<br>c.) A pledge of shares from the Borrower over the Borrower's 100% interest in InnoVida Cyprus;<br>d.) An assignment of all major agreements, present and future, including, *inter alia,* sales offtake agreements in which any purchaser contracts for panels representing more than 300 homes per year in the Project Country (such agreements "**Project Documents**"). |
| 24. Documentation: | The terms and conditions of the Loan shall be set forth in a definitive loan agreement between OPIC and the Borrower (the **"Loan Agreement"**), which along with the Security Documents, the Project Documents, and other agreements, documents, instruments, and approvals will collectively be referred to as the **"Financing Documents"**). These documents will require, among other key provisions:<br>a.) submission to jurisdiction of New York courts and appointment of an agent for service of process;<br>b.) designation of New York law as the governing law of the Loan Agreement, New York law for the other Security Documents and either local law or New York law, as OPIC shall determine, for the Project Documents; and<br>c.) indemnity by the Borrower of all Indemnified Persons (as defined in the Letter) from and against, and reimbursement to such Indemnified Persons for, (i) any and all Losses (as defined in the Letter) relating to the Loan, the Loan Agreement, any other Financing Document, the Project, the Commitment, or the use or intended use of the proceeds thereof to which an Indemnified Person may become subject; and (ii) any and all Costs of Defense (as defined in the Letter), *provided, however,* that the indemnity shall not apply to the extent that a court or arbitral tribunal of competent jurisdiction renders a final determination that a Loss or Costs of Defense resulted from (a) |

the gross negligence or willful misconduct of an Indemnified Person, or (b) OPIC's failure to perform any act required of it relating to the Loan.

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| 25. Conditions Precedent to Initial Disbursement: | Conditions customary to a transaction similar in nature, including, *inter alia*:<br>a.) OPIC shall have completed due diligence of the Borrower, the Shareholders, and the Project and matters relating thereto, and the results of such investigation shall be satisfactory to OPIC;<br>b.) Execution and delivery of definitive Financing Documents in form and substance satisfactory to OPIC;<br>c.) All necessary governmental and third party permits, licenses and consents for the Project shall have been obtained and shall be in full force and effect;<br>d.) Equity contributions from the Borrower or the Shareholders shall have been made or directed to the Haiti operations on a *pro rata* basis with respect to the Loan in accordance with the financial plan agreed between the Borrower and OPIC, and such contributions shall have been verified to the satisfaction of OPIC;<br>e.) OPIC shall have received financial projections for the Project through December 31, 2015 to its satisfaction, including projected financial statements prepared in English on the basis of GAAP;<br>f.) OPIC shall have received satisfactory legal opinions from the Borrower's counsel<br>The Borrower shall have obtained a D-U-N-S® number issued by Dun & Bradstreet, Inc. and provided such number to OPIC in writing, and the Borrower shall have provided to OPIC its U.S. Taxpayer Identification Number; and<br>g.) The pledge of shares from the Borrower over InnoVida Cyprus shall have been properly filed and registered or recorded in any jurisdiction where filing and registration or recordation is required, as applicable. |
| 26. Conditions Precedent to Each Disbursement: | Conditions customary to a transaction similar in nature, including, *inter alia*:<br>a.) All representations and warranties under the Loan Agreement shall be true and correct;<br>b.) There shall be no default or event of default in existence at the time of or after giving effect to the Disbursement;<br>c.) Nothing shall have occurred and be continuing that, in OPIC's reasonable judgment, could have a material adverse effect on (i) the Project; (ii) the business, operations, property, condition (financial or otherwise), or prospects of the Borrower, the Shareholders, InnoVida Cyprus, the Project, or any other person whose continuing viability, because of its undertakings, is essential to the Project; (iii) the ability of the Borrower or any |

other party to carry out the Project or to perform its respective obligations under the Financing Documents; (iv) the validity or enforceability of any material provision of any Financing Document; (v) the rights and remedies of OPIC under any of the Financing Documents; or (vi) the liens provided to OPIC under the Security Documents;

d.) All fees and expenses payable by the Borrower shall have been paid in full;

e.) Equity contributions from the Borrower or Shareholders shall have been made or directed to the Haiti operations on a *pro rata* basis with respect to the Loan and in accordance with the financial plan agreed between the Borrower and OPIC, and such equity contributions shall have been verified to the satisfaction of OPIC;

f.) OPIC shall have received such other certificates, opinions, agreements, and documents, including English translations of any document delivered by the Borrower, as it may reasonably request.

27. Conditions Subsequent to Disbursement

The Borrower shall undertake to provide the following to OPIC:

a.) Within 30 days subsequent to the initial Disbursment, the Borrower shall have appointed an agent for service of process until the Loan Maturity Date plus six (6) months and paid the fees of such agent in full;

b.) Within thirty (30) days of execution of a Project Document, assignment of the Project Documents in favor of OPIC.

c.) Within sixty (60) days of property and liability insurance becoming commercially available in Haiti on terms reasonable and customary for an operation of this nature, the Borrower shall acquire such insurance and shall, at OPIC's request, name OPIC as an additional insured and/or loss payee thereunder.

28. Primary Financial Reporting Requirements and Other Covenants:

The Borrower shall comply with covenants customary to a transaction similar in nature, including, *inter alia*:

a.) Within 90 days after the end of each fiscal quarter, including the last fiscal quarter, provide financial statements prepared in English in accordance with GAAP;

b.) Within 45 days after the end of each fiscal quarter, including the last fiscal quarter, provide financial statements prepared in English in accordance with GAAP for the Borrower's activities in Haiti;

c.) Within 90 days after the end of each fiscal year, provide audited financial statements prepared in English in accordance with GAAP;

d.) Within 45 days after the end of each fiscal quarter during the initial construction and implementation of the Project, provide a progress report prepared in English;

e.) Within 45 days after the end of each fiscal quarter, provide a report, prepared in English, setting forth in reasonable detail all transactions between the Borrower and any subsidiary of the Borrower, on the one hand, and a Shareholder or any affiliate of a Shareholder (not including the Borrower or any subsidiary of the Borrower), on the other hand; *provided* that all such transactions shall be conducted on an arm's-length basis.

f.) Within 30 days prior to the beginning of the fiscal year, provide an annual operating budget for the Borrower's Haitian operations prepared in English;

g.) Not later than June 30 of each year, beginning on June 30, 2011, provide a completed self-monitoring questionnaire;

h.) A negative pledge of all of the Borrower's assets in Haiti;

i.) Ensure no payments to the Shareholders or any affiliate thereof except if all of the following conditions have been satisfied: (i) no default or event of default shall have occurred and be continuing or will occur as a result of such payment; and (ii) financial ratios described below shall have been met after giving effect to such payment.

j.) Without OPIC's prior written consent, ensure no change in control in the beneficial ownership of the Borrower in which an existing shareholder or new shareholder would obtain greater than 5% ownership in the Borrower;

k.) Ensure that the Borrower, InnoVida Cyrprus and their respective owners, directors, and members of senior management are not included in the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control; and

l.) Cooperate with OPIC in the event that OPIC chooses at its own expense to exercise its right to assign the duties associated with monitoring, management and administration of the Loan ("**Asset Management**") to a third party that shall act as an agent of OPIC (the "**Asset Manager**") in addressing such matters as any Asset Manager may require in connection with such Asset Management.

29. Financial Ratio Covenants:

Financial ratio covenants to be maintained by the Borrower to monitor ongoing financial performance, including, *inter alia*:

a.) Maintain a debt/equity ratio not greater than 3.0 to 1, as measured quarterly beginning with the quarter end immediately following the first Payment Date;

b.) Maintain current assets to current liabilities of not less than 1.2 to 1; and

c.) Immediately following the first Payment Date, maintain a ratio of cash flow for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, to projected debt service for the next succeeding four (4) consecutive full fiscal quarters of not less than 1.4 to 1.

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| 30. Policy Covenants: | Covenants to monitor the Borrower's compliance with OPIC policy requirements, including, *inter alia*: |

a.) The Borrower shall comply with Corrupt Practices Laws as defined in the Letter and implement internal management and accounting practices and controls adequate to ensure compliance with such Corrupt Practices Laws;

b.) The Borrower shall (i) comply with, and conduct its business, operations, assets, equipment, property, leaseholds, and other facilities in compliance with, the IFC Guidelines, applicable laws and regulations, OPIC's environmental policies, and other terms and conditions as may be set forth in the Loan Agreement, and (ii) maintain all required permits and approvals relating to environmental, health, or safety matters;

c.) The Borrower shall (i) not take any actions to prevent Workers (defined below) from lawfully exercising their rights of association and their right to organize and bargain collectively; (ii) observe applicable laws relating to a minimum age for employment of children, acceptable conditions of work with respect to minimum wages, hours of work, and occupational health and safety; (iii) not use forced or compulsory labor, including, but not limited to any form of slavery, debt bondage or serfdom; (iv) explain, document, and make available in writing and orally to each Worker, information regarding all of their working conditions and terms of employment, including their entitlement to wages and any benefits, prior to the later of (A) thirty (30) days after the date of the Loan Agreement or (B) each Worker commencing work; (v) not employ persons, formally or informally, under the age of eighteen (18) for work involving hazardous activity, which is work that, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of those persons; (vi) with respect to Workers, not take any actions, or otherwise interfere with, coerce or penalize, on the basis of the right of association or on the basis of organization and collective bargaining activities or membership that may result in any form of retaliation, including, but not limited to, termination, suspension, demotion, blacklisting or transfer of any Worker, or by an officer, agent or representative thereof; (vii) not require Workers to work more than 48 standard hours of work per week and that all Workers shall be guaranteed a weekly 24-hour rest period; (viii) shall pay at least the official minimum wage, if established by the appropriate governmental authorities during the term of the Project; (ix) pay all wages, including all legally-mandated bonus pay and premium pay for overtime work, in full, in legal tender, and in a timely fashion, to Workers except when Workers have agreed otherwise; (x) not employ persons, formally or informally, under the age of fifteen (15) for general work; (xi) ensure that Workers have the right to remove themselves from hazardous situations without jeopardizing their continued employment; and (xii) require each Project Contractor (defined below), with respect to itself and any of its Project Subcontractors (defined below), to comply with the foregoing requirements; provided that if any applicable law, or collective bargaining agreement, imposes a requirement that is more protective of worker rights than any of the foregoing requirements, the Borrower shall, and shall cause the Project Contractor(s) and Project Subcontractor(s) to, observe such applicable law or collective bargaining agreement (the requirements set forth above, collectively, the "**Worker Rights Requirements**");

d.) In the event that information concerning non-compliance or potential non-compliance with the Worker Rights Requirements (a "**Worker Rights Non-Compliance**") comes to the attention of a responsible officer of the Borrower, the Borrower shall give prompt notice thereof to OPIC. The Borrower shall use all reasonable efforts, including remediation, to cure or to cause the relevant Project Contractor or Project Subcontractor to cure, or prevent the recurrence of, any Worker Rights Non-Compliance;

e.) Notwithstanding the foregoing subclauses (c) and (d), the Borrower shall not be responsible for any Worker Rights Non-Compliance resulting from the actions of a government and

f.) Other conditions to be determined.

"**Project Contractor**" means a person that is a party to a Project Contract with the Borrower.

"**Project Contracts**" means a contract related to the development or operation of the Project between the Borrower and a Project Contractor or between a Project Contractor and a Project Subcontractor.

"**Project Subcontractor**" means a person, other than the Borrower, that is a party to a Project Contract with a Project Contractor.

"**Workers**" means, collectively, (a) individuals that are employed directly by the Borrower, and (b) individuals that, under a Project Contract, perform continuous on-site work that is either (i) of substantial duration or (ii) material to the primary operations of the Project.