

**From:** Linda Davis  
**Sent:** Sat 5/5/2007 5:23 PM  
**To:** Antoinette Seymour  
**Subject:** RE: For Dr. D

With respect to the Bio-diesel Proposal, we have not objection...spoke with both KSS and DB, but if possible would like to carve a way of collaborating re access to expertise etc as we build our own smaller research model at the Gladstone Road site.  
LD



ESTABLISHED 1974

# THE COLLEGE OF THE BAHAMAS

SCHOOL/DEPARTMENT

Your Reference:

Our Reference:

September 3, 2007

Permanent Secretary  
Ministry of Education, Youth, Sports & Culture  
P. O. Box N3913  
Nassau, Bahamas

Attention: Ms. Sherrylee D. Smith

Dear Ms. Smith,

President Janyne Hodder acknowledges receipt of your correspondence dated August 30 with respect to the Cape Systems Ltd biodiesel proposal.

Please let Permanent Secretary Garraway know that we regret not having gotten back sooner with a written response concerning the proposal. However, as conveyed via telephone conversation and email, please be advised that President Hodder did consult senior colleagues who advised that they had no objection to the proposal.

Grateful to contribute.

Sincerely,

Antoinette Seymour  
Executive Assistant to President

- 
- |                                   |  |                         |                 |
|-----------------------------------|--|-------------------------|-----------------|
| • Oakes Field Campus              | • P. O. Box N-4912 Nassau, Bahamas         | • Tel: (242) 323-8550/2 | • Fax: 326-7834 |
| • Grosvenor Close Campus          | • P. O. Box N-4912 Nassau, Bahamas         | • Tel: (242) 325-5551/2 | • Fax: 328-0284 |
| • Moss Road Campus                | • P. O. Box N-4912 Nassau, Bahamas         | • Tel: (242) 325-5714   | • Fax: 326-7834 |
| • Bahamas Tourism Training Centre | • P. O. Box N-4912 Nassau, Bahamas         | • Tel: (242) 323-6804   |                 |
| • Northern Bahamas Campus         | • P. O. Box F-42766 Freeport, Grand Bahama | • Tel: (242) 352-9761   | • Fax: 352-6167 |
| • Exuma Centre                    | • P. O. Box EX-2911 Exuma, Bahamas         | • Tel: (242) 336-2790-2 |                 |

# Biodiesel fuel proposal

Hello Antoinette,

After discussing the above captioned with a few of my colleagues, the following gives some of the comments and questions asked. These were cut and pasted, so just look through so that you can get the gist of their thinking.

1. They liked the *concept* of manufacturing our own biodiesel fuel, especially from waste vegetable oil and from locally grown crops. The Bahamas needs to find cheaper energy sources.
2. Who will monitor the quality of the blend of diesel? How can consumers be assured that there will be no damage to their vehicles? Surely, some independent test of the quality of the blend needs to be established.
3. The idea of using locally grown crops to generate biodiesel is appealing. This seems to be a potential area of research for our agriculture students/professors. One question does arise though: do we have sufficient farmland to grow crops for fuel and food? Perhaps Dr. Earl Johnson can provide some guidance here.
4. The proposed plant is to be built in the airport industrial park. How close will the plant be to its neighbours? What happens should there be an explosion at the plant? Will its neighbours be threatened or is there sufficient "cushion" space? (I have no idea what "sufficient" is: some expert needs to offer guidance here).
5. Does the production of biodiesel itself offer any adverse environmental impact? I know its usage after it is produced is claimed to be good for the environment: however, what about the production process itself? Are there any environmentally unfriendly byproducts? (Ck, Dr. Frank Banks or one of the chemists).
6. Cape Systems is proposing to own 50% of the business and Mr. David Lee the other 50%. They are asking the Bahamian public to subsidize this venture through exemptions on import duty. It seems to me that the Bahamian public should be given the opportunity to own shares in this, should they desire.
7. A work permit is required for a renewable energy engineer and another for a product technician. For what length of time? Surely, there should be some mechanism established for the training of a local engineer and technician so that these work permits would not need to be renewed after a few years.
8. If this oil is more economically viable why not use it now? And why does the plant need to begin with feedstock?

I hope this assists you in responding to the Proposal. These questions and comments are quite valid.

Thanks again for the opportunity to share.

Regards,  
BCC

Sept 17 email

Mrs. Janyne M. Hodder  
President  
The College of The Bahamas  
Oakes Field  
Nassau, N.P.  
The Bahamas

**Your reference**

**Our reference**  
EDU/TC

**Date:**  
27 March, 2007

Dear Mrs. Hodder,

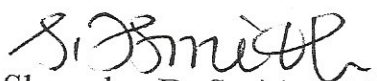
**CAPE SYSTEMS LIMITED – PERMISSION  
TO INVEST IN BIOFUELS BAHAMAS, LIMITED**

The captioned proposal was reviewed by the National Economic Council and deferred for further consideration.

I have been directed now to forward a copy of the proposal for your comments and recommendations as was agreed by the National Economic Council.

Your usual prompt attention is always appreciated.

Sincerely

  
Sherrylee D. Smith (Ms)  
(for) Permanent Secretary

Attachments.



COPY



Permanent Secretary  
Ministry of Financial Services and Investments  
P.O. Box N-7770  
Nassau, New Providence  
Commonwealth of the Bahamas  
ATTN: Mrs. Gaydene McClain

June 2, 2006

**Re: Permission to Invest in Biodiesel Company**

We respectfully submit the following request for the consideration of the National Economic Council regarding the above captioned subject matter.

**I – Project Background**

Cape Systems has already received NEC approval for operation in the fields of renewable energy and biofuels in The Bahamas, and Cape Systems has special knowledge in the production of biodiesel in The Bahamas and has conducted research on the same through its sister organization, Cape Eleuthera Island School, for the past 4 years. We have tested and developed a technology and business model that has great potential in The Bahamas.

Over the past 2 years, we have been in consultation with several Bahamian companies with regards to the establishment of a commercial scale biodiesel production facility in New Providence. We have been asked to partner with one such company, **Biofuels Bahamas, Limited** and after preliminary negotiations, we have agreed to do so given the establishment of certain terms.

Bahamas Biofuels, Limited is owned by Mr. David Lou Lee and is in possession of a license to manufacture biodiesel fuel. Cape Systems is requesting permission to invest up to \$2.0 million in the project to establish the first biodiesel production facility in the Caribbean on a commercial scale. Mr. Lee will be the managing partner, running the day-to-day operations of the business.

**II – Project Description and Benefits**

The proposed initial size for the biodiesel plant in Nassau is a capacity of 400,000 gallons/year. There are many key benefits of producing biodiesel in The Bahamas, including:

1. Reducing net carbon emissions from diesel fuel combustion by 2,800,000 lbs/year – helping the Bahamas meet its obligations under the **Kyoto Protocol to the United Nations Framework Convention on Climate Change**. Biodiesel reduces net carbon emission by 78%.
2. It is an easily biodegradable fuel that is far less toxic to the environment.
3. There is zero sulfur in the fuel which mean zero sulfur emissions resulting in cleaner air
4. It can be blended in any quantity with #2 petroleum diesel and can be used in any current diesel engine without modification in blends up to 20% and in newer vehicles in much higher blends.
5. Making biodiesel from waste oil sources eliminates an environmental hazard while creating a premium fuel.
6. The project will create at least 6 full time jobs, with the potential for many more as the project expands.
7. The fuel can be produced at a cost advantage over petroleum fuels, and is not subject to the same price volatility.
8. Dollars spent purchasing the biodiesel will stay in the country rather than being a drain on currency reserves for imported petroleum fuel.
9. Once the plant is operational, Cape Systems and Biofuels Bahamas will begin research and development on local oil crops that could increase production dramatically (up to several million gallons/year) and create additional jobs in the agricultural sector.
10. Biodiesel can extend the life of diesel engines, because it has a much higher lubricity than #2 diesel fuel.
11. When the Bahamas makes a transition to ultra-low sulfur diesel fuel (ULSD), Biodiesel can be used as an additive to bring lubricity back up to specification.

Ultimately, the objective is to collect as close to 100% of the waste cooking oil in New Providence and Paradise Island as possible. We estimate that volume to be close to 300,000 gallons per year (GPY) at present and growing to 400,000 GPY in several years. Due to the complex nature of securing contracts to haul all of the waste oil from dozens of different suppliers, we are requesting permission to import tallow feedstock in order to get the plant operational, secure clients for the fuel and to have an established plant to haul the waste oil to. The cost of the locally available waste oil feedstock is far lower, and the environmental benefits are far greater, so the mutually beneficial objective is to transfer to the waste oil feedstock from within The Bahamas as quickly as possible, which we feel can be attained only once the plant is operational. We request a 5 year period to make the transition to used cooking oil, and then we will still likely want to import some feedstock to supplement locally available supplies.

### **III – Beneficial Ownership and Board Structure**

As the lead investor, technology expert and developer of the business model, Cape Systems requests permission to acquire up to a 50% interest in Biofuels Bahamas, Ltd.



As you are aware, Cape Systems, Ltd. is a wholly owned subsidiary of Cape Eleuthera Island School. As with all of Cape Systems' activities, any profits that are received from the production and sale of biodiesel, or the eventual sale of our shares in Biofuels Bahamas, shall be reinvested into the research and outreach arm of the Cape Eleuthera Island School, which is the sole beneficial shareholder. We have previously applied for and presented documents to the NEC, the Attorney General's office, and Central Bank with respect to the above. We see this partnership as a way to build capacity for sustainable energy production in The Bahamas, to build a model of profitable recycling of environmentally hazardous waste, to empower local entrepreneurs through partnerships, and to help finance the ongoing educational, research and outreach missions of the Cape Eleuthera Island School. We feel that Mr. Lee will be an excellent partner in this process, as he has been engaged in the chemical business and more recently in the renewable energy business in The Bahamas.

Mr. David L. Lee will maintain a minimum 50% interest in Biofuels Bahamas as the managing partner, and he will be responsible for the day-to-day operations of the business. In addition to Mr. Lee's ownership status and interest in the profits of the company, he will also maintain a salaried position as the General Manager of Biofuels Bahamas. We have agreed that this salary shall begin at \$52,000 year. No members of Cape Systems shall receive a salary from Biofuels Bahamas.

The Board of Directors shall consist of three members, two assigned by Cape Systems, and one assigned by Mr. Lee.

#### **IV – Additional Approvals:**

- : Financing: Cape Systems requests permission to acquire up to 50% of the shares of Biofuels Bahamas. Cape Systems further requests permission to loan Biofuels Bahamas, in the form of a shareholders loan, an amount up to \$2,000,000. Cape Systems has a network of "patient investors" who are committed to supporting our mission of developing sustainable business opportunities in The Bahamas, and through them to help finance our parent company's charitable activities. We have several persons who have committed the funds to offer a low interest bond to Cape Systems, such that we may then invest it Biofuels Bahamas for the purchase of equipment, feedstocks and other start-up needs. No dividends shall be declared by the company until all debt is repaid. Afterwards, profits will be split according to share ownership.
- : Land: Biofuels Bahamas will acquire land for the production of biodiesel at the airport industrial park. The value of the land is \$105,000, of which a \$25,000 deposit is required, and the remaining \$80,000 will be financed through a mortgage. We note this such that NEC will be advised that land is (will be) an asset of the company and we request that this approval extend Cape Systems' permission to be an owner of the land through its interest in Biofuels Bahamas.
- : Extension of permits: Mr. Lee has made requests to this government and acquired permissions for Biofuels Bahamas to produce biodiesel, and also to import

materials and machinery for the same duty free. We request that these permissions be extended to cover Biofuels Bahamas under its new ownership structure.

- : Work Permits: Cape Systems would like to request permission for:
- o One full time work permit for Mr. John Kenworthy, Vice-President and Chief Operating Officer.
  - o One full time work permit for a renewable energy engineer.
  - o One full time work permit for a product technician

#### **V - Present Status:**

Cape Systems and Biofuels Bahamas have signed a Memorandum of Understanding that indicates the desire to move forward with this project as described above. Everything is in order to be able to produce renewable fuel at the plant by January 2007 provided all of the approvals are in place in the next 30 days.

#### **VI – Summary:**

Cape Systems is a different kind of company. We are set up to build capacity through creating partnerships that benefit from our expertise and access to capital, and which in turn can partially fund ongoing research and development to make future projects possible, while creating jobs, training and working models for Bahamians. We do this work only on projects that have clear social and environmental benefits for The Bahamas, and biodiesel is clearly one of those projects. We have been approved by the NEC for this type of work in general and we hope that this request will be received favorably. Cape Systems sees a future for The Bahamas that is free of oil and all of its attendant costs – one that is based on clean, home grown energy. The pilot study at Cape Eleuthera on solar and wind energy and now this biodiesel facility are the first steps toward achieving that goal.

#### **VII – Cape Systems Structure**

Cape Systems is a wholly owned subsidiary of Cape Eleuthera Island School, which is a non-profit resident company in The Bahamas. As the sole beneficial shareholder in the company, Cape Eleuthera Island School will receive all profits generated through Cape Systems' activities. Such profits are then to be reinvested in the research and outreach arm of the school, creating revenue to support scholarships at Deep Creek Middle School, marine science and sustainable technology research and other programs. The Directors and Officers of Cape Systems are:



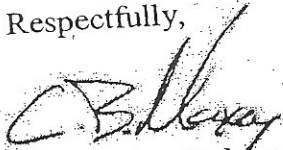
Christopher B. Maxey; President and CEO  
John B. Kenworthy, Vice-President, Secretary and COO  
Christian G. Henry, Treasurer and CFO

**VII – Attachments:**

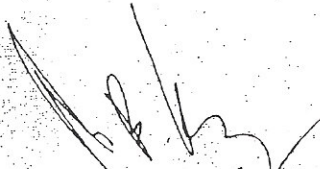
- Cape Systems Original Request to NEC
- Cape Systems NEC Approval
- Cape Systems Central Bank Approval
- Cape Systems Certificate of Incorporation

We appreciate the opportunity to further our relationship with Bahamian companies in line with our mission and to help lead the way towards a more self-sufficient country in The Bahamas. Thank you for your timely consideration of this request and please feel free to contact us with any questions pertaining to the above materials.

Respectfully,



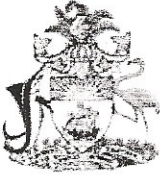
Christopher B. Maxey  
President, CEO  
Cape Systems, Ltd.  
242-359-7625



Jack Kenworthy  
Vice-President, COO  
Cape Systems, Ltd.  
242-557-7612

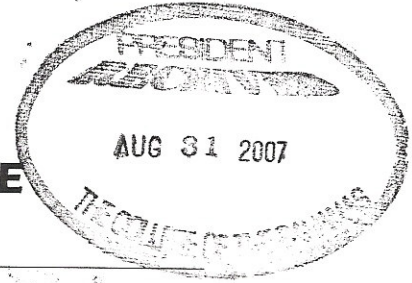
Cc:

Honorable Dr. Marcus Bethel, Minister of Energy and Environment  
Mr. Ronald Thompson, Permanent Secretary, Office of the Prime Minister  
Mr. Edward D. Roberts, Partner, E. Dawson Roberts and Company



**MINISTRY OF EDUCATION,  
YOUTH, SPORTS AND CULTURE**

P.O. BOX N3913/14 TEL # 502-2700 NASSAU, N.P., THE BAHAMAS



Mrs. Janyne M. Hodder  
President  
The College of The Bahamas  
Oakes Field,  
Nassau, N.P.,  
The Bahamas

Your reference:

Our reference:

EDU/A/613

Date:

30<sup>th</sup> August, 2007

Dear Mrs. Hodder,

**RE: CAPE SYSTEMS LIMITED – PERMISSION TO  
INVEST IN BIOFUELS BAHAMAS, LIMITED**

My letters dated **27 March** and **26 April, 2007** and yours of **4 May, 2007**, refer.

I have been directed to inquire whether you are now in a position to comment on the Cape Systems Limited proposal.

Your early response is anticipated and would be appreciated.

Sincerely,

Sherrylee D. Smith  
(for) Permanent Secretary

SDS/apf

Enclosures:

*Agatha Fitz,  
Secy to Smith  
smith@bahamas  
education.com*