

Business Plan: Investing in Responsible Tourism & Conservation

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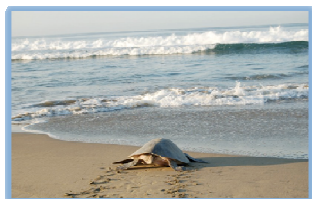
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Project Background

This group project is a business plan prepared in collaboration with the Eco-Entrepreneurship Program at the Bren School. For more information, please see www.bren.ucsb.edu.

Importance

Tourism development has led to economic growth and wellbeing for some communities in Mexico. However, a host of negative impacts have also occurred, for example: habitat degradation, health concerns from water pollution, and community displacement. Responsible development practices seek



to greatly reduce these impacts. Industry projections are favorable for the sector, but two main obstacles exist: reliable information and access to capital.

Company Overview

Coastal EcoVentures is a specialty investment firm designed to overcome these obstacles, in order to finance responsible tourism and conservation in Mexico. We provide debt capital and advisory services to small- and medium-sized enterprises that show promise in meeting environmental and social goals but cannot secure financing from traditional sources.

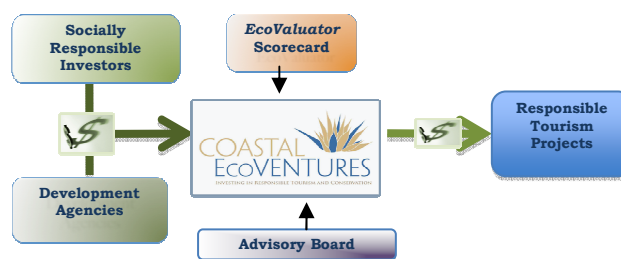
To select responsible investments, we use our proprietary scorecard, the *EcoValuator*, which measures and quantifies a development's environmental and social impacts. By selecting responsible investments, we will develop a portfolio of qualified tourism



projects that contribute to the increased use of renewable energy, an increase in protected natural areas, and the equitable economic growth of local communities. To

finance these projects, Coastal EcoVentures will raise funds from patient capital providers with sustainable development goals, such as socially responsible investors, foundations, and development agencies

How Our Investments Work:



Our Revenue Model:

We receive 1-7% loans	We give 10-15% debt finance	We get ~5% rate of return
Funding Sources [Low Cost Capital Providers]	Investment Portfolio [Responsible Tourism Enterprises]	Revenue for Coastal EcoVentures
We also provide fee-based consulting services to select clients.		

Responsible Tourism in Mexico

The responsible tourism market is growing **three times faster** than the tourism industry as a whole, and is set to become **25 percent of the world's travel market** within a decade. In Mexico, responsible tourism is expected to grow **30% annually**, and strong government support ensures the continued growth of the industry. Although the economic downturn has reduced growth, new investment opportunities have emerged, such as the retrofitting of distressed assets.

Strong consumer demand for tourism is expected to continue and ambitious plans for development can be found throughout Mexico. Most activity is undertaken by small developers, many of whom lack investment capital to develop responsibly. With rigorous metrics and access to low-cost capital, Coastal EcoVentures



can fulfill this need and promote responsible tourism investment.



Focus Area:

Bahias de Huatulco, located in the state of Oaxaca, is the latest of five government-funded (FONATUR) sites to be master-planned. Huatulco has an international airport and is anticipated to grow

substantially in the next 10 years. It is being designed as an eco-friendly destination with a large percentage of the land preserved. Other areas where Coastal EcoVentures is building relationships is in the state of Guerrero and the Yucatán.

Investment Portfolio

Tourism developments in our portfolio will use our financing for capital investments that directly benefit the environment and local communities. Debt financing will be offered at variable interest rates, based on our analysis of a project's risk profile and financial viability. We expect high demand for this type of financing, since traditional construction loans have become scarce in the economic downturn.

Sample Investment

Playa Viva Sustainable Resort & Residential Community



- New development in Zihuatanejo, Mexico (2009)
- 80% of land area protected (160 acres), home to 104 endemic and 12 threatened species
- Restoration of lagoon and native landscape
- Support of Turtle Sanctuary and local entrepreneurs
- Green building design and permaculture techniques

To qualify for funding, tourism projects must demonstrate superior environmental and community benefits, as measured by our *EcoValuator* scorecard (see below). As a condition of investment, Coastal EcoVentures will be actively involved in major

decisions that influence the sustainability of a project. Investment decisions ultimately will be driven by conventional financial valuation methods and due diligence.

EcoValuator Tourism Investment Scorecard

Coastal EcoVentures created a proprietary assessment methodology, called the *EcoValuator*, which provides a rigorous, quantitative way to assess the environmental and social performance of a project. The methodology has over 60 indicators, including:

- **Energy:** energy demand per unit area (W/sq ft)
- **Conservation:** land area conserved/restored (acres)
- **Biodiversity:** presence of vulnerable species (#)
- **Employment:** workforce from local community (%)
- **Local Benefits:** revenue that remains local (%)
- **Education:** investment in educational programs (\$)
- **Legal Compliance:** with local/int'l regulations (y/n)
- **Sustainability Management Plan:** quality (scale 1-5)

A full list of indicators is available upon request.

For universal applicability, the indicators are aligned with the recently introduced Global Sustainable Tourism Criteria, the consensus on best practices in tourism. Furthermore, the *EcoValuator* uses research-based benchmarks to produce a score for each prospective investment, to facilitate comparison and monitoring over time.

Coastal EcoVentures incorporates the scorecard results into project valuations and investment decisions. Therefore, the *EcoValuator* provides a coherent snapshot of the environmental and social factors that are material to responsible investment decisions. The diagram below shows an overview of the process, with an example performance indicator and benchmark from each of the ESG sections.

Examples of the *EcoValuator* Scorecard

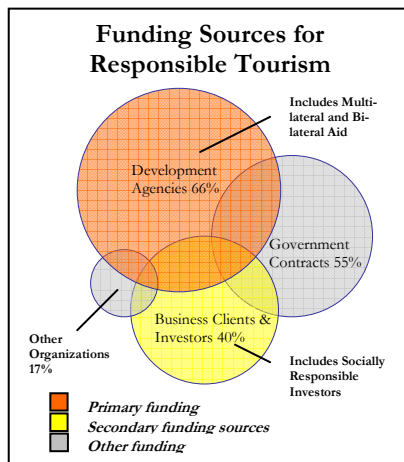
Section	Example Issue	Performance Indicator	Benchmark
Environmental	Water Efficiency	Liters per guest-night	350 Liters per guest night
Social	Community Development	% of revenue	5% of revenue to community
Governance	Sustainable Management Plan	Quality Scale 1-10	10

EcoValuator Score (1-100)
Over 60 performance indicators
Coherent snapshot for investment decision-making
Tool for monitoring performance over time



Sources of Investment Funding

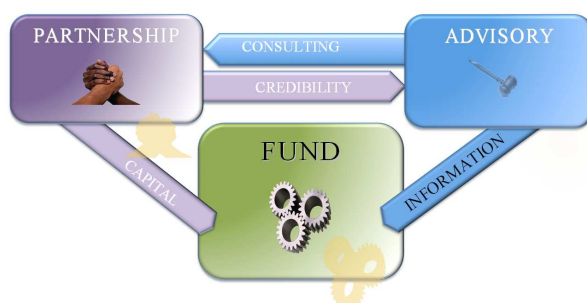
Investment capital will be raised from mission driven organizations and individuals providing low-cost capital to support sustainable development goals. This capital is characterized by loans with below-market interest rates, grace periods for repayment, and other flexible terms.



Development agencies are particularly active in this field, accounting for 66% of funding, or close to \$10 billion. They have several programs to incentivize private sector investment in tourism. A number of

organizations specifically finance tourism enterprises that support conservation and community development, offering loans between \$100,000 and \$5 million for these activities. Coastal EcoVentures has had preliminary discussions about investment relationships with the Inter-American Development Bank and the Overseas Private Investment Corporation. Other prospective financing sources include the World Bank, the Global Environment Facility, and the United Nations Development Program. An increasing number of private foundations also provide finance to support responsible tourism development.

How We Will Go-To-Market:



Our strategy is to build **partnerships** with a diverse set of decision-makers—NGOs, government agencies, private companies—and provide **advisory** services at

a reduced cost. These relationships will help build our network and credibility, including market traction for the *EcoValuator*, in order to accomplish two goals: 1) find information about responsible projects; and 2) access capital from low cost providers. Fulfilling these goals allows us to enter the market successfully (creating and managing the **fund**), and spread the use of responsible development practices.

Partnerships

We will build on the network we already have engaged in Latin America and elsewhere:



Coastal EcoVentures is part of the **United Nations Environment Programme (UNEP)** Steering Committee for Sustainable Tourism Performance Indicators. This Committee seeks to create a globally-relevant set of indicators for assessing the responsibility of tourism enterprises.



We will be joining the newly-formed **Sustainable Investment and Finance in Tourism (SIFT) Network**, an important new

collaboration of investors and project developers brought together by UNEP and the World Bank. The network aims to improve investment practices in tourism.



As part of our advisory services, we are stewarding a funding proposal for investment by the Verde Ventures fund, in what may potentially be their first ecotourism investment in Mexico.



We are developing a partnership with the Mesoamerican Tourism Reef Initiative (MARTI), a Conservation International initiative with links to investors, developers, and the Mexican government.



We are providing research and advisory services to Playa Viva, a sustainable resort and residential community in Zihuatanejo, Mexico.

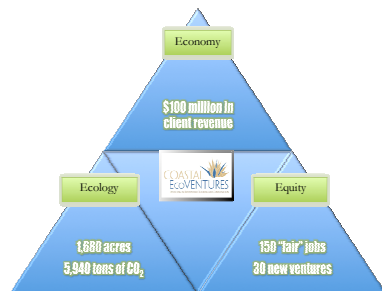


Measuring Success

Although financial targets guide our decisions, ultimately we will judge our success by our contribution to responsible development goals. With the use of the EcoValuator, we will monitor our positive impacts on the environment and communities. In particular, we will track the following metrics accomplished by the projects we invest in:

- Total land area under managed conservation (acres)
- Climate change benefits of renewable energy technologies (tons of CO₂ equivalent)
- Direct employment of local community members (#)
- Number of local enterprises that are synergistically supported (#)
- Amount of client revenue that represents a contribution to the local economy (\$)

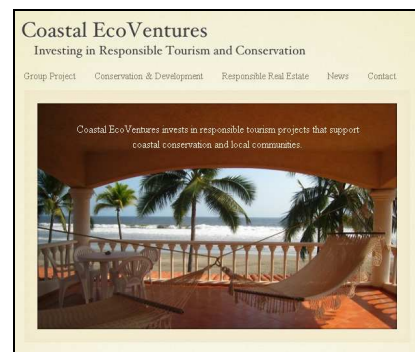
The diagram below illustrates what we hope to achieve with a total of 10 project investments:



Management Team

Coastal EcoVentures team brings over 25 years of experience in tourism development, consulting, financial analysis, asset management, and corporate environmental management. The five founders are graduate students at the Bren School of Environmental Science and Management in Santa Barbara, California. We will recruit specialists for the team, including an **Investment Fund Manager**.

Coastal EcoVentures is supported by an **Advisory Board** composed of senior professionals providing expertise in real estate development, investment management, sustainable tourism, and quantitative assessment. Overseeing our Investment Fund will be an **Investment Committee** composed of experts from the finance, resort development, and legal industries.



Screenshot of website, www.coastalecoventures.com

Next Steps

Starting in January 2010, we will have full-time presence in Huatulco, in the state of Oaxaca. As part of our "business launch", we are planning a publicity event with environmental education, in cooperation with several international NGOs. *You can follow our progress and support the growth of responsible investment practices in tourism by joining our **Team** or **Network**:*

Join our Team – equity ownership potential

- Advisory Board—help steer the business.
- Investment Committee—guide investment.
- Investment Fund Manager position
- Angel Investors—help provide start-up capital (details to be discussed).

Join our Network – sign up for the newsletter online

- Fund Investors—reasonable returns with environmental and social benefits
- Developers—access to competitive capital and partnerships for new projects
- Consumers—responsible travel opportunities

We look forward to hearing from you.

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