Sections 13.

Glossary

FEDERAL MINISTRY OF POWER

Nigerian Renewable Energy Private Equity Seminar

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Private Equity Glossary

Alternative asset class – a class of investments that includes private equity, real estate, and oil and gas, but excludes publicly traded securities. Pension plans, college endowments and other relatively large institutional investors typically allocate a certain percentage of their investments to alternative assets with an objective to diversify their portfolios.

Alternative asset class – a class of investments that includes private equity, real estate, and oil and gas, but excludes publicly traded securities. Pension plans, college endowments and other relatively large institutional investors typically allocate a certain percentage of their investments to alternative assets with an objective to diversify their portfolios.

Buyout – a sector of the private equity industry. Also, the purchase of a controlling interest of a company by an outside investor (in a leveraged buyout) or a management team (in a management buyout).

Capital call – when a private equity fund manager (usually a "general partner" in a partnership) requests that an investor in the fund (a "limited partner") provide additional capital. Usually a limited partner will agree to a maximum investment amount and the general partner will make a series of capital calls over time to the limited partner as opportunities arise to finance startups and buyouts.

Closing – the conclusion of a financing round whereby all necessary legal documents are signed and capital has been transferred.

Dilution – the reduction in the ownership percentage of current investors, founders and employees caused by the issuance of new shares to new investors.

Early stage – the state of a company after the seed (formation) stage but before middle stage (generating revenues). Typically, a company in early stage will have a core management team and a proven concept or product, but no positive cash flow.

Exit strategy – the plan for generating profits for owners and investors of a company. Typically, the options are to merge, be acquired or make an initial public offering (IPO).

Fund-of-funds – a fund created to invest in private equity funds. Typically, individual investors and relatively small institutional investors participate in a fund-of-funds to minimize their portfolio management efforts.

General partner (GP) – a class of partner in a partnership. The general partner retains liability for the actions of the partnership. In the private equity world, the GP is the fund manager while the limited partners (LPs) are the institutional and high net worth investors in the partnership. The GP earns a management fee and a percentage of profits

Harvest – to generate cash or stock from the sale or IPO of companies in a private equity portfolio of investments.

Institutional investor – professional entities that invest capital on behalf of companies or individuals. Examples are: pension plans, insurance companies and university endowments.

Initial public offering (IPO) – the first offering of stock by a company to the public. New public offerings must be registered with the Securities and Exchange Commission. An IPO is one of the methods that a startup that has achieved significant success can use to raise additional capital for further growth.

Leveraged buyout (LBO) – the purchase of a company or a business unit of a company by an outside investor using mostly borrowed capital.

Orphan – a startup company that does not have a venture capitalist as an investor.

Oversubscription – when demand exceeds supply for shares of an IPO or a private placement.

Placement agent – a company that specializes in finding institutional investors that are willing and able to invest in a private equity fund. Sometimes a private equity fund will hire a placement agent so the fund partners can focus on making and managing investments in companies rather than on raising capital.

Portfolio company – a company that has received an investment from a private equity fund.

Private investment in public equities (PIPES) – investments by a private equity fund in a publicly traded company, usually at a discount.

Seed capital – investment provided by angels, friends and family to the founders of a startup in seed stage.

Strategic investor – a relatively large corporation that agrees to invest in a young company in order to have access to a proprietary technology, product or service. By having this access, the corporation can potentially achieve its strategic goals.

Takeover – the transfer of control of a company.

Turnaround – a process resulting in a substantial increase in a company's revenues, profits and reputation.

Zombie – a company that has received capital from investors but has only generated sufficient revenues and cash flow to maintain its operations without significant growth. Typically, a venture capitalist has to make a difficult decision as to whether to kill off a zombie or continue to invest funds in the hopes that the zombie will become a winner.

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Renewable Energy Glossary

Amp

Electrical current. A measure of the quantity of electricity flowing in a circuit. (Think of "Amps" as if they were gallons of water, and "Amps" are the gallons flowing per minute through a pipe.)

Amp-hour

Measure of the amount of electrical current flowing for a period of time.

Compact Fluorescent Light ("CFL")

Fluorescent light manufactured to occupy a very small area and able to be installed in an ordinary light fixture. CFL bulbs use a fraction of the electricity used by incandescent light bulbs.

Conservation

The reduction of energy usage through increased efficiency and/or reduced waste.

Direct Current Electricity ("DC")

Electricity that flows only in one direction. Direct Current is the type of electricity supplied by batteries.

Energy Efficient Appliances

Electrical devices or appliances that perform their task, and use less electricity than lower-efficient devices. Electrical inefficiency in many devices is directly related to the heat they produce. For example, energy efficient light bulbs use most of the incoming electrical energy to produce light, not heat.

EV

Abbreviation for "Electric Vehicle", a vehicle that derives all of its ability to move from energy stored in batteries, and does not have an internal combustion engine of any type.

Filament

The part of an incandescent lamp through which electricity passes and gets extremely hot, producing light.

Fluorescent light

A lighting device that uses an electrified gas rather than filament to produce light.

Geothermal

Heat from the earth. Often thought of as energy from geysers and hot springs. More recently, this term is applied to any heat stored in earth and available as a renewable energy resource.

Gigawatt

From "giga", meaning billion, and "watt", a unit of energy (see "watt"). A gigawatt is one billion watts of electrical energy. To give you an idea how large one gigawatt is, it's the energy consumed by 10 million 100 watt light bulbs illuminated at the same time.

Global Warming

The Earth's gradual warming due to the "greenhouse effect".

Greenhouse Effect

The rise in temperature the Earth experiences because certain gases in the atmosphere (such as water vapor, carbon dioxide, nitrous oxide, and methane) trap energy from the sun. Without these gases, heat would escape back into space and Earth's average temperature would be about 60ºF colder. Because of how they warm our world, these gases are referred to as greenhouse gases.

Greenhouse Gases

Gases in the Earth's atmosphere that produce the greenhouse effect. Changes in the concentration of certain greenhouse gases, due to human activity such as fossil fuel burning, increase the risk of global climate change. Greenhouse gases include water vapor, carbon dioxide, methane, nitrous oxide, ozone, and various forms of fluorocarbon gas (used in air conditioners and refrigerators).

Grid

The network of wires and cables that transport electricity from a power plant to your home.

Incandescent Bulb

A light source that produces light by heating a wire filament to a very high temperature.

Insulation

Materials that keep energy from crossing from one place to another: on electrical wire, it is the plastic or rubber that covers the conductor; in a building, insulation makes the walls, floor, and roof more resistant to the outside (ambient) temperature.

Inverter

An electrical device that changes direct current ("DC") into alternating current ("AC").

Kilowatt ("kW")

One thousand watts of electricity. (See "Watt".)

Light Emitting Diode ("LED")

An extremely efficient source of light, "LED" lamps convert from 65% to 95% of the electric energy to light energy (depending on the color of the light). LEDs also typically last 50,000 to 100,000 hours. Light emitting diodes are made from the same material as transistors and give off light when electricity is passed through them.

Megawatt

From "mega", meaning million, and "watt", a unit of energy (see "watt"). A megawatt is one million watts of electrical energy. To give you an idea how large one megawatt is, it's the energy consumed by 10 thousand 100 watt light bulbs illuminated at the same time.

Off-the-grid ("Off-grid")

Not connected to the commercial power lines.

Photovoltaic

"Light-generated voltage". ("Photo" means "light". "Voltaic" (vol-TAY-ick) means "voltage". Also simply referred to as "PV".

Photovoltaic ("PV") Cell

An electronic device consisting of layers of special materials capable of converting light directly into electricity.

Photovoltaic ("PV") Module

An assembly of interconnected photovoltaic cells enclosed in a protective assembly (usually glass and plastic).

R-value

"Resistance value". Used specifically for insulating materials to indicated its effectiveness against the movement of heat toward cold. The higher the number, the greater the slowing of the flow of energy. Three inches of fiberglass insulation has an R value of 7.5.

Renewable Electricity

Renewable electricity is electricity generated without use of fossil fuels.

Renewable Energy ("RE")

An energy source that renews itself without effort. Fossil fuels, once consumed, are gone forever, while solar energy is renewable in that the sun energy we harvest today has no effect on the sun energy we can harvest tomorrow.

Solar Cell

A device made of silicon and other materials. Solar cells generate electricity when exposed to sunlight.

Solar Energy

The radiant energy of the sun, which can be converted into other forms of energy such as heat or electricity.

Solar Modules

Also called "solar panels". These are the large collections of solar cells that can produce electricity in a worthwhile quantity.

Thermal Solar

The process of deriving or concentrating heat from sunlight. Examples of "derived heat" are: home heating, solar cooking, clothes drying, solar heated water, and so forth. Concentrated solar thermal heat is often used to create steam, from which electric power is generated.

Tracker

Mechanical device used in solar electric and solar thermal systems. Follows the movement of the sun (daily and sometimes seasonally) and keeps the energy collection device pointed directly at the sun. Allows for the harvest of the maximum available solar energy.

Volt

Unit of electrical pressure. Think of "volts" as if it were water pressure.

Watt

Unit of electrical power. "Watts" are calculated by multiplying the electrical pressure in a circuit ("volts") by the amount of electricity moving in the circuit ("amps"). For example, 120 volts times 2 amps equals 240 watts.

Wind Turbine

Also called "Wind Generator" or incorrectly "windmill". Devices consisting of blades that turn a shaft that turns a generator to harvest wind energy and produce electrical power.

Zenith

At the "zenith" in the sky, the sun will be directly overhead in relation to the observer.