

FIRST



**MAKING A MOVE
IN SOLAR POWER**
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[Oil and Water]

CASTRO'S REVENGE



TROPICAL DREAMS
Pumping oil along
Cuba's northern coast

DIEGO GUDICE—ARCHIVOLATINO/REXUS

Seventy miles from Florida, a **Cuban oil rush** is underway—and U.S. companies can't join in.

BY CAROLYN WHELAN

SOMETIME LATER this year, less than 70 miles from Florida, a consortium of Spanish, Indian, and Norwegian companies will likely start drilling for oil. It could mark the beginning of a Cuban oil rush—one that American oil companies won't be able to join, despite their proximity to the action. And that has some U.S. oil industry executives

and lobbyists seething, especially since the American Association of Petroleum Geologists calls the offshore Cuban oil deposits a "significant find."

U.S. oil companies can't play in these waters, of course, barred as they are by sanctions prohibiting them from doing business with Cuba. But irked at the irony of sanctions designed to isolate Fidel Castro that isolate them instead, some in the oil industry are seeking to exempt U.S.

oil companies from the 45-year-old embargo. Emboldened by a newly Democratic Congress and the potential for regime change in Cuba, oil industry lobbyists are promoting exemption bills. One, by Senator Larry Craig (R-Idaho), never got out of committee last year. But Craig plans to reintroduce it in the Senate as part of a larger energy bill in the coming weeks, says spokesman Dan Whiting. The House version, sponsored by Jeff Flake (R-Arizona), which would allow the sale of U.S. oil services and equipment to the foreign companies already exploring in Cuba, may also be revived.

"This is not the 1960s, when the Kennedy administration was protecting the U.S. from a possible missile attack," says Charles Drevna, executive vice president of the National Petrochemical and Refiners Association, which represents 450 companies. "These resources will be developed and produced—the question is by whom. Prohibiting U.S. companies from developing resources 90 miles away is an *Alice in Wonderland* approach to policy that must be revisited."

Call it Castro's revenge. With Cuba's leader sidelined by illness and its economy in shambles, a major oil find—estimated by the U.S. Geological Survey at 4.6 billion barrels, nearly two-thirds the amount in the Arctic National Wildlife Refuge—could give Havana a new lease on life. "Cuba could be a major regional player in oil," says Jorge Piñon, an oil expert at the University of Miami and a former president of Amoco Oil Latin America.

So far Cuba's oil production has been puny—just 68,000 barrels a day, compared with more than ten million by Saudi Arabia, the world's largest producer. With help from the Soviet Union, oil was discovered in Varadero in 1971. Production stayed at about 18,000 barrels a day until Canada's Sherritt International arrived in 1992 and started joint



HECTOR PLANES—ARCHIVOLATINO/REDAUX

production with Cuba Petróleo. Currently Sherritt is responsible for almost half of Cuba's production, entirely onshore.

In 2004, Spain's Repsol YPF found signs of oil in deep water offshore. Last year India's ONGC Videsh and Norsk Hydro of Norway joined Repsol to explore its six blocks. Separately, Malaysia's

Petronas won concessions for four blocks, reportedly after seeing fresh data from the Repsol-led consortium. ONGC also secured concessions for two more blocks. In

January, Venezuela's state-owned PDVSA picked up rights to four blocks. China also has an exploration agreement with Cuba, and Chinese oil giant Sinopec has been leasing rigs to Sherritt and others.

Even if the choicest blocks have been taken, there would still be opportunity for U.S. companies if the embargo were lifted tomorrow. And Cuban officials say U.S. companies would receive the same treatment as others. "American energy companies and investment are welcome in our country," says Er-

nesto Plasencia, Cuba's commercial attaché in Washington, D.C.

Len D'Eramo, a spokesman for Exxon Mobil, whose refinery was nationalized by the Castro regime, doesn't deny interest in Cuban oil but says, "Cuba is a U.S.-sanctioned country, and we are not permitted to operate there."

The offshore blocks are in the seismic-study stage, but the Repsol consortium hopes to start exploration and drilling this year. Oil experts say production is at least three years away. "The potential for ultra-deep-water reserves looks quite promising," says International Energy Agency analyst David Fyfe. "If oil prices stay high, it keeps the frontier areas in play. But Cuba needs help to access those resources."

The Bush administration opposes any relaxation of the embargo. Last year it went to the trouble of warning the Sheraton Hotel in Mexico City that it would violate the embargo by hosting Cuban delegates to a conference on Cuban energy attended by executives from Exxon Mobil and other U.S. oil companies. The venue was changed. Getting a foothold in Cuban waters won't be as easy. **F**

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OFFSHORE BONANZA Seismic studies have found an estimated 4.6 billion barrels of oil off Cuba—two-thirds of what's in the Arctic National Wildlife Refuge.

[Return Engagement]

BUFFETT TO GATES: SPEND IT!

LAST SUMMER Warren Buffett stunned the business world when he told FORTUNE that he would give away the bulk of his \$44 billion Berkshire Hathaway fortune to charity.

Now comes the news, first reported on fortune.com, that in the latest Berkshire annual report Buffett states strict rules about what should happen to any Berkshire shares he retains when he dies—rules that challenge the way most charitable

HIS TIMETABLE CHALLENGES THE STATUS QUO IN PHILANTHROPY.

foundations are run. As he previously said, these shares will go to charity, but the new stipulations are all about speed. Once his estate is closed, which he estimates will take three years, every dollar of his gifts must be used within ten years.

By establishing this timetable, Buffett has thrust himself into a long-running debate: Should foundations focus on perpetuating their resources or spending them? And because of his reputation and the scale of his wealth, Buffett's endorsement of the latter is a landmark moment in philanthropy.

The vast majority of large foundations operate with the intent of lasting forever and therefore rarely exceed the minimum spending ratio of 5% (calculated on an organization's asset value of the previous year), which they need to retain tax-exempt status. According to data compiled by Buffett's staff, 28 of the 30 largest foundations paid out less than 5% of assets in grants in 2005. (They reached the 5% threshold by counting operating costs.)

But a small number of founda-



THREE OF A MIND Like Buffett, Bill and Melinda Gates have placed a time limit on the use of their fortune.

tions both past and current (see box) have decided to follow a spend-down model. Why? Many want greater control over how their money is used. As Buffett writes in the Berkshire annual report, "I've set this schedule because I want the money spent more promptly by people I know to

be capable, vigorous, and motivated." Buffett's gifts are going to the Bill & Melinda Gates Foundation, three charities run by his children, and the Susan Thompson Buffett Foundation, named after his late first wife. (The Gateses, too, have put a time limit on the spending of their donation, stipulating that their foundation must disburse all the money within 50 years of their death.)

"As organizations grow over time the risk of bureaucracy and mission drift grows," says Harvey Dale, director of New York University's

National Center on Philanthropy and the Law. Dale is also the former president, CEO, and now director of Atlantic Philanthropies, an oft-cited modern example of a spend-down foundation. Adds Dale: "[Spending down] focuses the mind."

But don't expect the Ford Foundation to go on a wild spending spree or to go out of business anytime soon. "Foundations set up in perpetuity aren't looking at this," says Gene Tempel, executive director of the Center on Philanthropy at Indiana University. "It's a lot more common with younger donors who are setting up new foundations."

Or donors who are young at heart. Buffett is 76. And he's also overseeing a charitable obligation that's increasing in size. Last June, when Buffett unveiled his plan to give away 85% of his Berkshire shares, the gift was worth \$37 billion. Since then the stock has risen about 15%. —*Jia Lynn Yang*

On-the-Clock Giving

Warren Buffett isn't the only major philanthropist to put a time limit on the distribution of his fortune. Here are three prominent foundations that have used the spend-down model.

ATLANTIC PHILANTHROPIES Value of grants awarded: **\$3.8 billion**

Duty-free-shop billionaire Chuck Feeney formed his organization in 1982 to help the disadvantaged. He wants Atlantic to exhaust its current \$4 billion balance by 2020.

RICHARD AND RHODA GOLDMAN FUND Value of grants awarded: **\$523 million**

The fund has supported environmental and Bay Area causes since 1951. Richard Goldman, 86, wants the \$454 million endowment spent down within ten years after his death.

VINCENT ASTOR FOUNDATION Value of grants awarded: **\$195 million**

Wife Brooke Astor ran the foundation from her husband's death in 1959 until the money ran out in 2002. Beneficiaries included New York's Metropolitan Museum of Art.

JUSTIN LANE—EPA/CORBIS

[Online Romance]

MATCHMAKING INDIAN-STYLE

EVERY DAY in the congested northern Indian city of Allahabad, mothers amble nervously through the entrance of Shaadi Point to talk to Kiran Chowla. They come clutching studio portraits of their sons and daughters in suits and saris, and with pages of profiles listing religion, caste, star sign, skin color, and income level. "Love?" asks Chowla, 54, removing her spectacles and raising her eyebrows. "It is a feeling of the heart, and it comes with association."

Association—the web-based kind—is what Chowla offers her clients. Her shop, one of 130 such franchises in India, is a storefront version of the country's top matrimony website, Shaadi.com. Log on to the computer inside and a database of 400,000 verified candidates pops up. A global audience of nine million registered users is waiting to respond. And for a premium fee of

about \$200, Chowla will also publish a notice in newspapers and magazines and rank the matrimonial candidate higher online.

"When you see the smile on the face of the parents," says Chowla, who estimates that more than 90% of her customers are parents

rather than potential matches, "you know you've done your job well."

Most of the parents who walk into Chowla's store have never used a computer. But the use of matchmakers is hardly a new phenomenon in India, where arranged marriages are the norm and the language of matchmaking rarely changes. (A "well-settled family" means upper-middle class; a "simple woman"

means no partying.) What's different is that technology has displaced the traditional marriage broker, who goes door-to-door with armfuls of customer profiles. For Chowla, a former schoolteacher, that means monthly revenue of about \$7,000, which she splits with the company.

Shaadi.com's co-founder and CEO, Anupam Mittal, estimates the size of India's fragmented mat-

LOVE BY ASSOCIATION
Kiran Chowla outside her online matchmaking store in Allahabad



DANIEL PEPPER

rimony industry at close to \$20 billion. Just the matchmaking component—aside from the wedding, obligatory gifts, and parties—is about \$300 million. It is common for a middle-class family of a bride to spend more than \$15,000 on a wedding—four times India's annual per capita GDP.

Mittal, 33, who has a business degree from Boston College, launched the company in 1997 after a chance meeting with a traditional matchmaker in Bombay. "I got very intrigued by what he did, and very soon it got me thinking—by God, the choice for a life partner is determined by how much weight this guy can carry and how far he can carry it."

At first the online portal was more popular among India's diaspora community. Now about 70% of Shaadi.com's customers come from India and the rest from the U.S., Britain, Australia, and the Gulf. But with less than 5% of India's population online, there's lots of room for growth. "It will take some time to play out," says Mittal, which is why he is opening more storefronts.

Shaadi.com isn't the only company looking for a piece of the matchmaking pie. A competitor aimed at south Indians, BharatMatrimony.com, got its start in the U.S. in the late 1990s. Founder Murugavel Janakiraman, 36, started handing out fliers advertising his portal (then under a different domain name) at South Asian events. In 2004 he moved to Chennai, where he recently built a new headquarters. "It's a growing market," Janakiraman says. "Sixty-four percent of India is below 30." BharatMatrimony now has 63 walk-in centers in India, mostly in the south, and plans call for an expansion to 300 in the next 18 months. Meanwhile, Shaadi.com plans to add up to 400 centers in the next two years.

The two sites claim more than 700,000 "success stories"—including Janakiraman, who met his wife on his site in 1999. Mittal isn't one of the lucky ones. He's still single. —Daniel Pepper

QUESTION AUTHORITY

A Solar Wunderkind Sees a Bright Future

JIGAR SHAH, 32, SunEdison CEO

In the past couple of years privately held SunEdison, the biggest supplier of solar energy in the U.S., has built mini-power plants in about 200 locations, supplying juice for clients like Staples, Costco, Whole Foods Market, and California State University at Chico. CEO Jigar Shah, 32, launched the company in 2004 with his winnings from a Harvard B-school business-plan contest, and two years later got \$26 million in venture money from a group led by Goldman Sachs. FORTUNE's Anne Fisher talked with Shah about how the stars are aligning for solar power.



SUN KING Shah rules the U.S. solar biz.

What exactly does SunEdison do?

We supply solar energy to our customers, supplementary to the power they get from the main grid. Solar now accounts for only about 1% of the total electricity produced in the U.S., but we're on a growth curve.

Why the sudden growth? Solar technology has been around for a while now, hasn't it?

Yes, but the industry is really just starting to take off, led by Germany and Japan. The U.S. is one of the sunniest countries in the developed world—even a far northern state like Maine has more sunny days per year than Germany has—so we should be able to achieve great economies of scale. One thing that is helping is the 30% federal tax credit Congress approved in 2005, where companies get a tax break for installing solar-power equipment.

What are some of the obstacles to the adoption of solar energy?

The biggest hurdle is that the utility industry has created a situation where we have to apply for permission, state by state, from individual utilities to connect a solar plant to their grid. Then you have to deal with a patchwork of different codes at the city

level. A few states, like Connecticut and New Jersey, have taken steps to streamline the process. The Department of Energy's new solar-power initiative is designed to educate local utilities and regulators.

How cost-effective is solar power?

For our customers such as Costco, we can meet 100% of their peak energy needs—which is to say during the daytime, when electricity from other sources can cost up to \$1 per kilowatt-hour, especially on a hot summer day. Solar power is cheaper during those expensive peak hours. We don't produce power at night.

Can the U.S. get self-sufficient in energy?

I don't know. I do know that the Department of Energy has predicted that the U.S. will need to add capacity, about 20 megawatts a year [or about 2% of our current annual output] over the next decade, to meet rising demand. Right now renewable energy—wind, solar, geothermal—can supply that whole amount. So whether or not we become independent of imported fuels, at least we don't need to become more dependent than we already are.

MIKE MCGREGOR

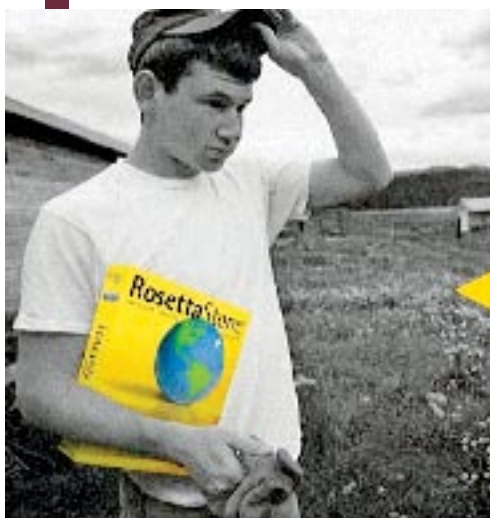
SPEAKEASY

Parlez-Vous 'Profits'?

To see the real Rosetta Stone, one must travel to the British Museum. But lately a \$30 million marketing blitz has made the company that bears its name almost ubiquitous. Founded in 1992 on the theory that immersion—not translation—is the best way to learn a foreign tongue, the maker of language-learning software is angling to become a Berlitz for the laptop set. The catalyst is 34-year-old CEO Tom Adams, a Swede who was formerly a copper merchant in London. When he took over in 2003, Rosetta had a handful of sales kiosks and one ad in one publication. Now it has 82 sales kiosks in airports and malls—and a fresh ad campaign running in more than 60 magazines. (It also has new private-equity investors: Last year parent company Fairfield Language Technologies completed a management buyout led by ABS Capital

LINGUA BANK-A
Rosetta Stone is spending \$30 million on new ads.

Partners and Norwest Equity Partners.) A big customer is the U.S. Army. More than 70,000 soldiers are studying one of its 30 language programs. Adams says the company has quadrupled its revenues in the past 2½ years. It's on pace to take in around \$100 million in sales this year. Rosetta, it appears, is learning to translate language into money. —Julie Schlosser



“Spending more time with family” might elicit a grin from those who know the true character of a once-respected corporate personage who has been cashiered, but it has a poignant ring to it—and works by suspending disbelief. Aviation metaphors (also “flying in tighter circles”) have crashed and burned.

[Bracketology]

CORPORATE JARGON

IN LIFE THE STRONG SURVIVE. The weak pay taxes. And that, perhaps, is why the bracket is such a seductive means of portraying existence, and not just during March Madness. We begin with a slew of contenders. One fight at a time, a victor emerges from the matchup. Soon there are but eight ... then a final four ... then but two who must fight for the pinnacle of power held only by he or she or it who had the force, the smarts, the pluck to beat back all comers. Ah, sweet victory! Here is just one such contest chronicled in the new book *The Enlightened Bracketologist: The Final Four of Everything*. This one is a donnybrook of business-speak compiled by our very own Stanley Bing.

