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22. Fair value of financial instruments

As indicated in Note 20, the Company's main financial instruments are comprised of cash, accounts receivable, notes and loans payable, accounts payable and accrued expenses, and derivative financial instruments. Management believes that the carrying values of cash, accounts receivable, and accounts payable approach their fair market value due to their short-term nature. Derivative financial instruments have been measured at fair value.

In considering the fair value of loans payable with variable interest rates the Company has considered that LIBOR based borrowings reset periodically and the LIBOR spread on those outstanding approximate those obtained by affiliates in recent financings. In evaluating the fair value of loans payable at fixed rates the Company has considered country risks, market conditions existing both at the date of the loans and those at the statement of financial position dates, and that there are not a significant number of comparable financings in this market. As of December 31 2014 and 2013, the fair value of the loans, taking into account current market interest rates, are the following:

	Carrying amount		(Level 3) Fair value	
	2014	2013	2014	2013
Ex-Im Loan 1	\$ 141,632,725	\$ 147,626,103	\$ 143,337,646	\$ 149,500,382
Ex-Im Loan 2	23,091,223	—	23,891,784	—
CABEL Loan 1	47,587,689	50,075,642	48,215,006	50,787,070
CABEL Loan 2	13,682,358	—	13,920,137	—
	<u>\$ 225,993,995</u>	<u>\$ 197,701,745</u>	<u>\$ 229,364,573</u>	<u>\$ 200,287,452</u>

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Techniques that use inputs different from quoted prices that are observable for the asset or liability, whether directly or indirectly.
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The inputs used in the fair value disclosure of loans payable are categorized within Level 3 of the fair value hierarchy

As of December 31, 2014 and 2013 classification in levels of instruments measured at fair value is as follows (Note 13):

	2014	Level 1	Level 2	Level 3
	Interest rate cap—asset	\$ 826,034	\$ —	\$ 826,034
Interest rate swap—liability	\$4,536,571	\$ —	\$4,536,571	\$ —

	2013	Level 1	Level 2	Level 3
	Interest rate cap—asset	\$ 2,118,788	\$ —	\$ 2,118,788
Interest rate swap—liability	\$ 5,093,068	\$ —	\$ 5,093,068	\$ —

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